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Country Program Strategic Plan FY 1995-2003

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Action Plan FY 1995-1997

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USAID/Nepal

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EXECUTIVE SUMMARY

The Nepal of 1995 is a country vastly different from the Nepal of the past. The feudal monarchy has been replaced by a functioning multi-party democracy. A liberalized free market economy has replaced crony capitalism.

In the five years since the restoration of democracy, there have been three fair and free elections (two national and one local), annual real economic growth has increased to 5.1%, and cash crop output has grown by 6.3% per year. Increasingly progressive policy reform over the past three years is accelerating the growth of community forestry and is stabilizing forest productivity and reversing degradation in hill areas while providing more fuel wood and fodder to farm communities. Economic policy has been liberalized, resulting in 11 times as many newly licensed small and micro enterprises as there were prior to 1991, with a nine-fold increase in investment. The elimination of government monopolies has resulted in a doubling of production of newly privatized firms, and their employment has increased 30%. New financial institutions have increased the lending of the banking system to the private sector by 60%, and nearly doubled the number of people served. USAID has played a key role in effecting these changes.

The history of U.S. assistance to Nepal since 1951 can claim a number of very significant successes. There has been a 56% drop in infant mortality, a jump in literacy from 2% to 40%, and malaria has been controlled. USAID has played a central role in family planning, child survival, disease control and literacy programs. USAID, along with the Nepali and donor community, has succeeded in putting in place the basic physical and institutional infrastructure so necessary for sustainable development in this small, landlocked mountain nation wedged between neighboring giants China and India.

Yet Nepal remains among the ten poorest nations on earth, with per capita income today a mere \$210. Population growth overwhelmed the modest gains in social and economic development. In 1951 Nepal's entire population was less than nine million; today it exceeds 20 million and is growing at 2.5% every year. The result is that one out of two Nepalis lives in absolute poverty.

Mid-term elections in late 1994 resulted in a peaceful transition to a minority Communist government. While at first slow to pursue further economic liberalization, the new government has begun to understand the rationale of economic liberalization and is proceeding on implementation. There is no reason to expect backtracking on recently acquired economic reforms.

Our overriding objective will be to help Nepal build the momentum necessary for sustainable development. This will be possible by increasing sales of high-value agricultural products in a sustainable manner; reducing fertility and improving maternal and child health; and empowering women. Complementary efforts will improve the policy environment for

macroeconomic reforms, reduce the transmission of HIV/AIDS and strengthen local democratic institutions.

USAID will join with the Government of Nepal and donor community to sharply accelerate agriculture growth rates to 5% annually. Specifically, we seek sustainable increases in sales of high-value agricultural products through expanded market participation primarily in the mid-western region, sustainable management of the land base in the hillsides and water in the plains, and increased adoption of improved technology for high-value agriculture. This approach builds on years of assistance in the agriculture sector, winds down USAID support for irrigation in the plains, and focuses attention on the marketing of cash crops, primarily fruits and vegetables. We expect to increase national production and sales by 15% and raise household incomes of two million people by 50% in eight years.

Population growth rates will decline by reducing fertility and improving maternal and child health. Total fertility rates should decline from 5.6 in 1992 to 4.5 by 2002 as contraceptive prevalence increases from 24% to 39%. This will be possible by increasing the use and quality of family planning services. There will be a much improved public sector family planning program and a viable private sector delivery system. While our primary focus will be the provision of family planning services, we will also undertake complementary but more limited maternal-child health service interventions.

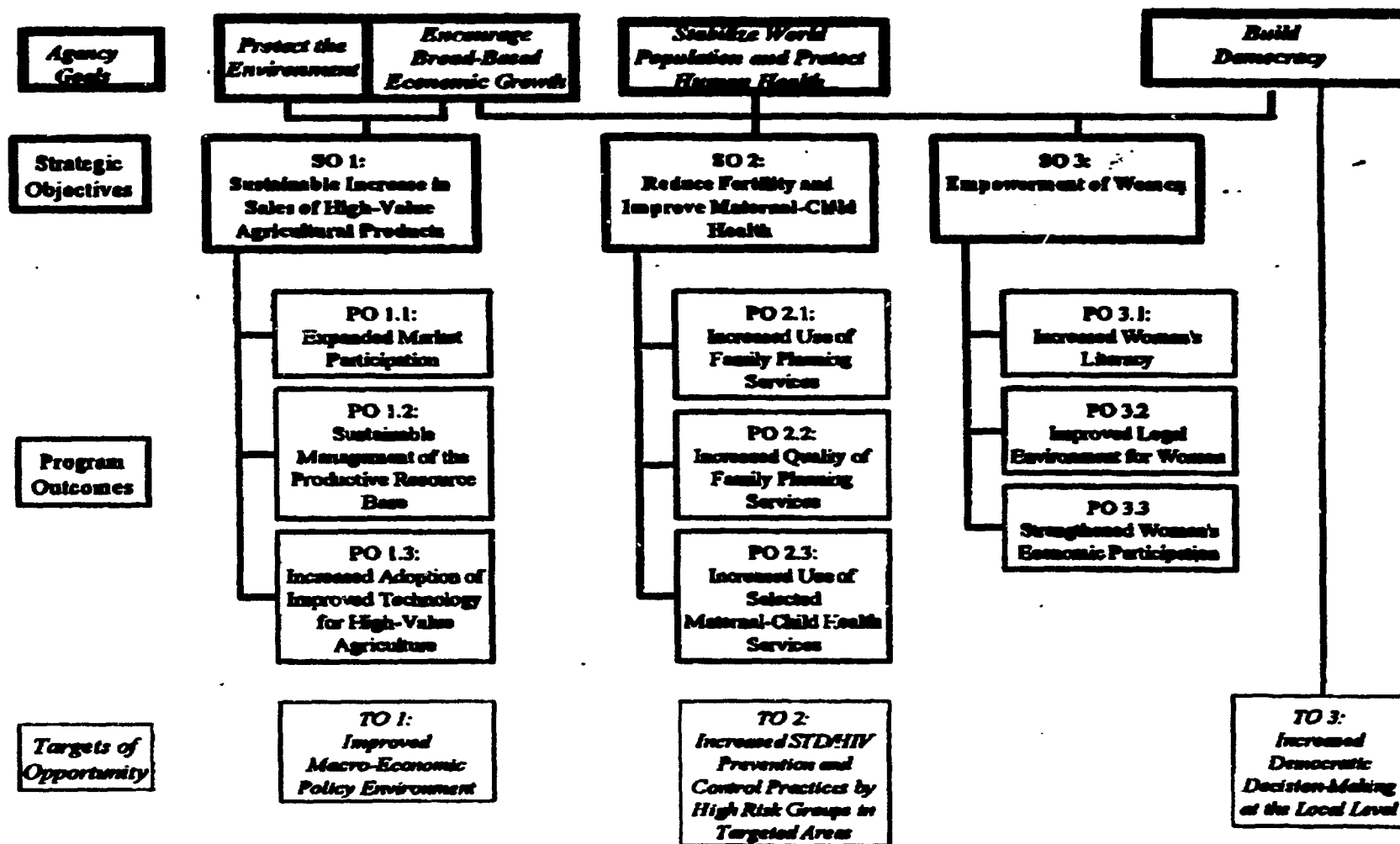
USAID also recognizes the importance of women's full participation in all spheres of modern society: social, economic, political and educational. We will support the empowerment of women through increased literacy, improved legal rights, and extended business services and credit. Rural female literacy will increase from 20% to 40% by 2003. Such efforts, important in their own right, will also reinforce population and agriculture program goals.

Achieving these ambitious objectives with limited financial and human resources requires focusing. We have decided to phase out 21 discrete activities which are not central to core objectives. At the same time, we will continue to press for macroeconomic reforms, support limited HIV/AIDS programs, and buttress local democratic institutions.

Our strategy will help Nepal establish the momentum for sustainable development through increased income from high-growth agriculture, smaller family size, and greater participation by women. Over a twenty-year period, rural poverty will fall substantially to 30% of present levels.

Our plan supports larger U.S. interests in Nepal as reflected in the Mission Program Plan: strengthening and consolidating democracy, encouraging economic growth, and addressing global issues of population and the environment. It also reinforces larger U.S. interests in the subcontinent. This plan represents a significant departure from the past in that it concentrates resources in defined rural areas, articulates clear and measurable objectives with national impact, and presents a vision for sustainable development in areas of critical importance in Nepal.

USAID/Nepal Strategic Framework



PART I: SUMMARY ANALYSIS OF ASSISTANCE ENVIRONMENT

A. BACKGROUND

Nepal combines the misty dream of Shangri-la with the harsh light of poverty. Small, landlocked and impoverished, it is situated between China and India. The physical topology of the Himalayan mountains greatly limits interchange with China. Tibet, a poor and underdeveloped region, is Nepal's closest neighbor to the north. Thus, India assumes major importance as an economic partner. Unfortunately, India has been less than a good neighbor, resulting in a great deal of political paranoia toward it. This relationship is further complicated by generations of Nepali elites who were educated in India and greatly influenced by the socialist economic model followed there for forty years.

Never colonized and only opened to the outside world in 1951, Nepal is still in a state of political, economic, and social transition that mirrors its evolution from subsistence agriculture to a more dynamic monetized economy. Seven centuries of authoritarian rule ended only in 1990. While overly dependent on donor assistance, Nepal has managed to establish a base of physical and human capital necessary for nation-building and has achieved respectable improvements in human welfare. Despite these gains, Nepal is ranked among the ten poorest countries on earth and is not yet on a sustainable development path.

Nepal's political history was shaped by authoritarian regimes, relieved intermittently by short-lived experiments with democracy. After its 1951 opening, the country experimented with development programs and democratic reforms that led to high expectations among the people for improvements in their lives. This initial foray into democracy ended in 1960 with the King's dissolution of the Cabinet, the arrest of political party officials, and suspension of all articles of the Constitution except those related to the declared state of national emergency. These actions were justified as in the best interests of the nation to restore political and economic stability. They led to a party-less system that governed based on centralized planning and community responsibility for local implementation. The thirty-year ban on political parties was lifted in 1990, followed by promulgation of a new constitution changing Nepal into a multi-party democracy with a constitutional monarch. Remarkable progress in Nepal's political evolution has been made during the past five years.

The national Parliamentary elections held in 1991 and local ones held in 1992 formed the basis for the dominant Nepali Congress party to govern for more than three years. Internal party dissension led to mid-term elections and the assumption of leadership by the minority United Marxist-Leninist party in November 1994. The elections were fair and free and led to a peaceful transfer of power. The Congress administration pushed for and achieved significant economic liberalization along with greater political freedoms and local participation. The Communist economic policy directions are evolving positively toward greater appreciation for free-market principles. It is clear that trends toward greater political expression will persevere. These new freedoms mark a major opening of political and economic systems which had operated for the benefit of a small and well-connected minority.

B. MACROECONOMIC TRENDS

Since 1951, per capita incomes have quadrupled and the numbers of population in poverty has fallen from 90%. Yet approximately 50% of Nepal's total population (of over 20 million) is still classified as being in absolute poverty (i.e., having a yearly income of \$112 or less, the amount estimated necessary to purchase the minimally accepted diet). Beginning in 1991, the Nepali Congress government focused on a set of wide-ranging macroeconomic reforms. These reforms were aimed at opening government production and distribution monopolies, creating new financial institutions and instruments, liberalizing the foreign exchange regime, and eliminating government controls over the economy.

Specific programs were initiated to support broader expansion of agriculture with an emphasis on increased cereal production, expansion of irrigation user associations, devolution of decision-making to community forest groups, and greater diversification into cash crops and livestock. Building on the fledgling, but rapidly expanding, carpet and ready-made garments industries, the Government of Nepal (GON) supported export niches along with development of tourism. It also sought to improve access to education and health services, particularly for women and girls, by increased use of the private sector. Lastly, it revised policies and regulations to attract private investment in hydropower.

Structural reforms generated mixed results. The Government improved fiscal management and reallocated expenditures to strengthen human capacity and slow population growth. These actions were augmented with investments in the rural sector to increase incomes and in the power sector to overcome domestic shortages and to develop resources for future exports. Advances occurred in adopting liberal economic policies and in promoting private investments. After two years of slow growth, real growth rebounded to a new record of 8% in 1994.

The new administration has sought to reassure the business and donor communities that it is Marxist-Leninist in name only. There have been few reversals of economic and political reforms undertaken by the previously-elected Nepali Congress government. Its economic policies are slowly evolving toward free markets.

C. OVERALL DEVELOPMENT PROSPECTS

USAID believes that the most realistic and significant source for generating broad-based growth lies with agriculture. Agriculture dominates Nepal's economy, contributing 42% of real GDP, and accounting for 81% of the economically-active population.

There are three other major sources of development potential for Nepal. One is hydro-electricity. Nepal has the world's greatest per capita potential for producing electricity which could be sold to India. The resources necessary to work in this sector are beyond the capacity of USAID/Nepal. World Bank and private sector financing are required.

The second major source of growth involves manufactured exports. There are few manufactured exports where Nepal offers a natural advantage. The lack of such an advantage can be overcome by innovative entrepreneurs as is seen in the carpet industry. For reasons of focus, however, USAID/Nepal does not plan to continue in this area beyond the Action Plan period.

Tourism is the third source. However, tourism has not been successful in developing new markets or products. Nepal's predominance in adventure tourism is being whittled away by other countries while environmental problems here have damaged its Shangri-la image. Tourism is not seen as a prime engine for economic growth or poverty alleviation.

Agriculture appears to be the best possibility for generating broad-based and sustainable growth. Predominately rain-fed, the sector's output and growth rates fluctuate, depending on weather conditions. Increasing productivity in agriculture is the key to economic structural transformation since a more productive sector will increase incomes, drive demand for non-farm produce (critical to the development of an industrial sector), and assure food security, either through domestic production or foreign exchange earnings. The country's agricultural potential is high when the natural resource base is supplemented by more extensive use of modern technology. Nepal's physical infrastructure has improved since the 1950's, along with the technical and human resource components that are essential to fully develop its agricultural potential.

However, without rapid progress toward reducing the population growth rate it will be impossible to significantly increase per capita income, expand access to basic social services, and conserve natural resources. The current 20.4 million population of Nepal, which grew by 65% between 1971 and 1991, is expected to double in roughly thirty years. The swift increase in population has placed an enormous burden on the economy, education, health care and other social services, and the environment. For example, population density increased from 79 persons per square kilometer in 1969 to 139 in 1995. As a result, soil fertility is eroding as marginal lands are increasingly placed under production for domestic food needs.

Average life expectancy is estimated to be only 54 years; and Nepal is one of the six countries in the world where women's life expectancy for women is lower than for men. Various health factors continue to keep average life expectancy low. These include inadequate nutrition, which makes individuals, particularly women and children, susceptible to illnesses; and inadequate sanitation, with only a small proportion of the population having access to "safe" drinking water and proper sanitation facilities. Although infant mortality remains among the highest in the world, the rate has declined significantly from the early 1950's. Endemic disease, combined with lack of access to health care, contribute to the low health status of the average Nepali.

A recent analysis of the length of time it would take nine Asian nations to attain Thailand's current per capita income under four scenarios shows that Nepal would need:

137 years assuming its economy continues to grow at the 4.6% average rate between 1990-1994 and the population growth rate remains constant;

34 years assuming its economy accelerates to Korea's average annual rate of 9.1%, but the population growth rate remains unchanged;

78 years assuming the economy continues to grow at the average rate between 1990-1994, but population growth slows to Sri Lanka's current rate (0.9%); and

29 years assuming an optimal case of Korea's economic growth rate and Sri Lanka's population growth rate.

In all of these scenarios, Nepal would require more time than any of the other nations studied to attain Thailand's present well-being. Given this analysis, Nepal obviously needs to simultaneously accelerate economic growth and slow its population growth rate if it is to climb out of the lower ranks of poverty in a more dynamic Asian region.

We believe that the transformation of agriculture is the primary means by which Nepal can achieve broad-based economic growth over the next decade. It is also the sector where USAID has a strong comparative advantage. Likewise, our predominance in family planning, both worldwide and in Nepal, offers us a comparative advantage in providing assistance to slowing population growth.

Two Scenarios

If current economic and population growth rates remain constant, Nepal requires 137 years to reach Thailand's current prosperity. With faster economic growth and a sharp drop in population growth rates, Nepal needs only 29 years.

South Asian Growth Take Off

"Developing countries are poised for sustained growth over the next decade and the South Asia Region, in particular, will experience growth rates higher than any other part of the world except East Asia. The Region is forecast to achieve 5.4% growth in real GDP in the period 1995-2004. This outstrips projected growth in all OECD countries and if growth, consumption and capital formation continue apace, India could be among the world's 6 largest economies in purchasing power parity terms."

Global Economic Prospects and The Developing Countries 1995, World Bank, April 1995.

D. CONSTRAINTS AND OPPORTUNITIES

1. Agriculture Growth Rate

Nepal's agricultural growth rate of 3% during the 1970's and 1980's barely kept pace with population growth, resulting in insignificant per capita income gains. This poor performance

was due to the lack of a growth strategy that emphasized accelerated sectoral growth and increased farm income. In the absence of a focused strategy with clear priorities, Nepali and donor investments often addressed the symptoms (malnutrition and deforestation) rather than the underlying causes of inadequate income generation.

The urgency of reversing these trends is immediate since the closing of the cultivable land frontier will occur during the next decade, potentially accelerating rural poverty. It is also likely that foreign aid will contract and certainly not expand in proportion to the growing population. In addition, technology-induced agricultural development has been insufficient to stimulate the necessary growth linkages to other sectors, delaying the structural transformation of the economy. Thus, the existing technology and resource base is being exhausted to support population growth, without providing the necessary economic stimulus to diversify the economy in a manner which leads to broad-based sustainable development.

The return of democracy in 1990 and subsequent economic reforms have created a new development environment in Nepal. In the agriculture sector, the Government promulgated new legislation and demonstrated its commitment to decentralizing authority over key resources. Irrigation systems previously managed by the Government are being transferred to water user associations, a program pioneered with USAID assistance. Recent legislation in April 1995 established policy for accelerating forestry "turnover" with the goal of transferring 60% of national forests to community-based user groups. In rural Nepal, where forests and well-controlled water are intricately linked to the productivity of the resource base, the impact of these recent changes is dramatic. Where irrigation systems have been transferred to local control, agriculture production has doubled. Data indicate a 50% increase in the productivity of total forestry biomass in four to five years following the transfer of forestry management to user groups.

The GON, at the behest of USAID and the Asian Development Bank, has recently completed a comprehensive Agriculture Perspective Plan (APP) focussing investments and policies on achieving higher growth rates in agriculture. The APP's vision is to increase the annual rate of growth to 5%. Combined with a lowering of the population growth rate to 2%, this will result in a six-fold increase in the rate of growth of per capita agricultural output - from the current insignificant 0.5% to a more robust 3.0%. The impact of this rate of growth over 20 years will be to decrease the numbers of rural poor by 5.5 million. The percentage of the population in poverty would decrease from the current 50% to 15%. The APP states the conditions not only for accelerated growth in agriculture but also for employment growth, which is the key to reducing poverty in Nepal. The model for

A New Approach to Agriculture

The Agriculture Perspective Plan took 2 years to produce. It envisions an increase in agricultural growth to 5% annually; resulting in a 6-fold increase in the rate of growth of per capita agricultural output and a 70% drop in rural poverty.

high growth in the hills and mountains is based on USAID's successful high-value agriculture model in mid-western Nepal.

2. Population Growth Rate

Typical of most developing countries, Nepal's rapid population growth (currently 2.5% per year) is the result of continuing high fertility and a substantial decline in mortality. While infant mortality remains among the highest in the world at 102 per thousand live births, this rate has declined from 197 in the 1950's. Maternal mortality, currently estimated to be 515 per 100,000 live births, is also among the highest in the world.

Although the GON has been attempting to improve the overall health situation, the most appropriate administrative, managerial and implementation systems have not yet been fully devised or implemented. The Ministry of Health has limited financial and human resources. It is just beginning to grapple with the requirements of sustained program coverage and integrated service delivery systems. The sector is in need of improved management, especially of key components of public health programs such as logistics, training, staffing, supervision, and integrated delivery systems. Increased attention to promoting better health practices by the people and greater participation of the private sector are also needed.

Population and Poverty

"Rapid population growth is the most fundamental factor contributing to poverty, eroding the limited gains made in GDP and food production...In the absence of an effective program to slow population growth, all other poverty alleviation measures would prove ineffective...."

World Bank, *Nepal-Policies for Improving Growth and Alleviating Poverty*, 1988.

However, there are significant opportunities to improve health status, particularly that of women and children. As noted above, at its current rate of growth, the population is expected to double in less than 30 years. However, projections indicate that with an effective family planning program, the population in 2025 could level off at about 35 million. Specific opportunities for facilitating this scenario include addressing the

substantial unmet need for family planning (28%); filling gaps in the provision of family planning and maternal-child health service delivery and reducing the large number of high-risk births.

Nepal has a strong policy supporting a reduction in the rate of population growth. Furthermore, the Government is committed to increasing the availability of the full range of family planning methods, has a progressive policy on using non-physician personnel for delivery of family planning services, supports and encourages private sector and non-governmental organization (NGO) participation in the delivery of services, and has a liberal policy promoting family planning messages using the mass media. In addition, increased

community participation in improving health, including through NGOs, is now possible following the 1990 democracy movement.

3. Empowerment of Women

Women are particularly disenfranchised in a culture that denies them equal educational opportunity, in a legal environment that enforces discriminatory statutes, and in a social structure that sanctions decision-making by males only.

Women in Nepal

It is at the local level that the importance of women to Nepal's economic development becomes abundantly clear. Women in Nepal are responsible for 60-70% of agricultural production; they work on an average more than 3 hours longer per day than their male counterparts; they are potential engines for rural growth. Yet they die younger and suffer from poorer health than men; have little access to education, information or credit; cannot inherit property; and have minimal involvement in decision-making.

However, opportunities to empower women have never been better. A generation of women educated in the West are returning to Nepal, and have joined active NGOs working to improve the status of women. USAID-supported NGO and other donor literacy initiatives have demonstrated that women want to read and community groups wish to help them. Grameen-style credit schemes for women are quickly growing and new handicraft and other rural

producers are banding together to capitalize on economic opportunities. The Government, although doing little to assist women and grassroots groups, is not standing in the way of these exciting prospects.

E. DONOR ASSISTANCE AND COOPERATION

Foreign grants and loans account for nearly 70% of Nepal's 1994-1995 development budget (38% in grants and 62% in loans). Donor assistance amounted to an estimated \$400 million in 1993. In 1994, Japan was the largest bilateral donor followed by Denmark, the United Kingdom, the United States, Germany and Switzerland. China and India do not release their assistance figures, but they are considered significant. All UN organizations, the Asian Development Bank, and the World Bank are active. A number of international voluntary organizations are also present.

Macroeconomic assistance Conditionality related to the Arun III Hydro-Electric Project is the current driving force behind macroeconomic policy liberalization. The International Monetary Fund supports policy liberalization through its Expanded Structural Adjustment Facility agreement with the GON. The Asian Development Bank's support of reform mainly relates to industrial policies and customs tax valuation. While these donors used

conditionality to push reform, USAID helped convince Nepal of the need for specific reforms and then assisted with implementation. USAID continues to have unusually easy and immediate access to senior GON officials to press its messages.

Agriculture The Agriculture Perspective Plan was formulated with assistance from the World Bank, Asian Development Bank, USAID, and the Food and Agriculture Organization. The Plan provides the strategic policy and investment framework for Nepali and donor investments. Concerted efforts will be necessary to stay focused on the key growth areas. In the irrigation sector, the multilateral banks are the key donors. USAID's focus on water user associations is complemented by joint project implementation with the Asian Development Bank. Our work in agricultural research has been coordinated with long-term efforts of the Asian Development Bank, and the British and Swiss governments. The World Bank will soon join this consortium with assistance to research in addition to funding national agriculture extension. Geographically-focused high-value agriculture programs are being implemented in eastern and central Nepal with British and German aid.

Family Planning and Maternal/Child Health The United Nations Population Fund (UNFPA) is the other key donor in population. USAID and UNFPA collaborate on providing contraceptive supplies; training; and information, education and communication programs. The World Bank has financed a large health and population loan which supports infrastructure development. The United Nations Children's Fund (UNICEF) is the other key donor in the health sector in Nepal and its assistance is focused on maternal and child health. UNICEF supports the national programs for immunization, control of diarrheal diseases, acute respiratory infections, nutrition (including vitamin A), breastfeeding, safe motherhood, literacy, water and sanitation, and other interventions. USAID collaborates with UNICEF on safe motherhood, diarrheal diseases, acute respiratory infections and vitamin A programs.

Democracy The United States and Denmark have worked in tandem as leaders in support for democracy in Nepal. Danish support continues with a strategic focus on strengthening central level institutions. Canada assists community strengthening and the United Nations Development Programme (UNDP) supports decentralized planning, primarily at the district level.

Women UNICEF has been the major donor supporting women in Nepal, operating programs in microcredit, literacy, skills training and organization of mothers' clubs. The Asian Development Bank recently started a pilot program in microcredit to women through NGOs. USAID is the lead donor in adult female literacy; however others support large basic education programs.

The GON and donors recognize the necessity for closer collaboration. Formal coordination occurs through general donor meetings chaired by UNDP and the World Bank and through technical subcommittees in areas of mutual interest, such as agriculture, environment, health, democracy, and women-in-development. Nepal's technical ministries have established coordination committees at the operational level. The result is that over the past year

coordinated programming in forestry, agricultural research, irrigation, health and family planning has improved. More work remains to rationalize assistance in other areas, including basic education and in macroeconomic policy.

F. ACCOMPLISHMENTS

USAID has made significant contributions to Nepal's development in the fields of agriculture, community forestry, health, family planning, education and training, transportation and communications, macroeconomic policy reform and democracy. Roads, electricity and drinking water systems exist where none were found before. Nepal's per capita human and institutional capital and physical infrastructure has expanded.

Education Since 1951, over 7,300 Nepalis have received training. Of this amount, 5,300 have been trained outside Nepal, of which only 8 have not returned, giving USAID/Nepal what must be the highest success rate for returning participants in the Agency. As a result of USAID's work in formal and non-formal education, literacy has increased from 2% in 1951 to 40% today for men and women.

Agriculture and Natural Resources Between 1951 and 1991, USAID helped Nepal increase the total amount of land under cultivation by 78% while total agricultural production rose by 80%. More recently, as a result of USAID's work with non-governmental organizations in 12 districts of Nepal, over 400 community forest user groups have assumed management of forest resources (35,000 hectares), which represents more than 50% of all forest turnover in Nepal. High-value agriculture commodity production, combined with community forestry, has generated a 40% increase in incomes in the last 5 years in targeted program areas of mid-western Nepal. With the turn-over of government-operated irrigation systems (covering 15,000 hectares) to water user associations, there has been a doubling of net incomes to 12,000 farm families.

Family Planning and Maternal/Child Health Since the late 1960's, USAID has assisted the public sector family planning program to expand access to services. Recent efforts have also included the private sector. This has contributed to an increase in the contraceptive prevalence from 3% in 1976 to 24% in 1991/92. Over this same period of time, desired family size in Nepal declined from over 5 children per family to 3.2. Improvements in women's health, while modest, have increased the life expectancy for women from 49 years in 1986 to 53 years currently.

The interventions of USAID and other donors to improve child survival have led to a reduction in the infant mortality rate from over 200 deaths per 1,000 live births in 1951 to 150 per 1,000 in 1986 and 102 per 1,000 in 1991. In addition, targeted assistance by USAID in vitamin A has reduced deaths of children between six to sixty months of age by approximately 30% per year in targeted areas through semi-annual distribution of vitamin A capsules (thereby averting 13,000 deaths). In malaria, USAID's 40 year effort to assist in

the control of this disease has resulted in the reduction in the incidence of malaria from 2 million cases per year in the early 1950's to approximately 13,000 cases in 1994.

Economics and Business Environment Over the past five years, USAID supported efforts to deregulate the economy. Simplification of business registration has resulted in a three-fold increase in small business registrations. Privatization of seven unprofitable state enterprises led to at least a doubling of production for most of the enterprises and an increase in government revenue without incurring any loss of jobs. Foreign exchange rules have been simplified and there has been movement to a fully convertible currency on the trade account. Sales and excise taxes have been simplified from movement to single rates and there are fewer tax rates for import duties. Adoption of new legislation permits establishment of financial institutions such as Grameen Bank clones and finance companies.

Democracy USAID played a significant role in Nepal's movement towards a democratic system of government over the past five years. At the central level, we supported voter education and monitoring of the first national elections in 30 years. We trained all elected members of Parliament and strengthened Parliament's committee system. We also upgraded judicial training, introduced political opinion polls, and created a media watch to track the November 1994 elections. USAID worked at local levels of government to promote effective local revenue generation and accountability by introducing systems for planning and service delivery, which in turn encourage transparent equitable procedures and formal accountability systems.

G. LESSONS LEARNED

- The past pattern of Government and donor investments were over a wide range of activities and often addressed symptoms rather than underlying root causes that prevented attainment of sustainable development. Investments were too often made without sufficient consideration of policies. The efficiency of the institutions involved in monitoring investments was not realistically appraised.
- Nepal's dependency on donors for funding its development budget reduced pressure to mobilize domestic savings. This lack of domestic savings and investments deepened "donor dependency" and led to inadequate allocation of funds for maintenance and repairs.
- A positive, enabling policy environment is necessary to facilitate effective program implementation and is fundamental for achieving sustainable economic development.
- Public-private partnerships can be effective models for delivering development assistance, appear to improve access to services, and provide better foundations for program sustainability. The acceptance and spread of democratic values and grassroots participation are key factors influencing program accountability and

sustainability. Local empowerment is necessary for effective management of productive resources.

- Income generation is fundamental for agricultural development. Experience in Nepal has shown that income derived from high-value agriculture and forest products for the market economy creates favorable conditions for sustainable rural production systems. Income growth facilitates technological innovation, and investments in and access to improved technologies. Past policies emphasizing production-focused, grain-based, and public sector-driven rural development strategies have not achieved the productivity, employment and income growth required.
- Successful development models must be expanded and replicated on a wider scale. USAID has pioneered several successful models based on increased local participation and management of resources. In several instances, these models have become established GON technical and operational policies. These contributions have generated considerable credibility with Nepali policy makers.
- Including women in the development process is a prerequisite for sustainable growth since they are important decision-makers in the management and use of rural resources. Their interests must be included in the design of all activities.
- Low rates of female literacy and high rates of female fertility are major constraints for Nepali women's participation in development and improving quality of life. Experience in health, family planning, literacy and other activities provide evidence that women communicating with other women are the most effective and often most trusted sources of development information at the grassroots level.

H. THE ACCOUNTABILITY ENVIRONMENT

The re-establishment of democracy engendered demands for results and accountability by citizens from their elected representatives and from public servants. This new concept of citizens' rights to know how funds, especially development funds, are allocated and spent is a new phenomenon in Nepal. The strength of this concept translates into citizens taking more active interest in the workings of government with demands that representatives fully reflect constituents' interests. Nepalis are increasingly aware of the responsibilities of public servants and are more assertive in exposing those cases where services are not being rendered. The negative aspects of this new awareness are the ability of more articulate, urban-based organizations to lobby for their special interests; lack of understanding on the part of the largely uneducated population about the democratic process, leading them to equate democracy with economic development; and personalizing of political criticism to the point where effective coalitions on major political and legal issues are no longer possible. In spite of these difficulties, the rise of democracy vastly improves prospects for greater accountability.

PART II: PROPOSED STRATEGY, RATIONALE AND KEY ASSUMPTIONS

A. OVERVIEW

The objective of the USAID program will be to help Nepal build the momentum for sustainable development, thereby reducing rural poverty. This will not be possible without accelerated agriculture development, a pronounced reduction in the population growth rate and greater participation of women in national development.

The essential shift to high growth agriculture has become feasible. Although literacy rates are still low, Nepal has a better informed population, a network of essential institutions, and improved infrastructure. Nepal's natural resource base is potentially extremely productive. Other areas of Asia with comparable natural resources have experienced rapid economic growth in the past 20 years. If the APP is implemented successfully, Nepal's agriculture growth rate will accelerate to 5% annually. Combined with a decline in population growth, this represents a six-fold increase in the growth rate of per capita agricultural output.

Based on USAID's worldwide experiences in family planning, we believe that a strong family planning program can succeed in Nepal, reducing population growth. Projections indicate that with an effective program, Nepal's population could level off at about 35 million in 2025. Without such a program, the population in that year could be 55 million. The difference between the two projections is the total size of Nepal's current population. The large documented unmet demand for family planning services present a particularly critical opportunity to achieve significant impact on reducing fertility.

Empowering women is essential to increasing their use of family planning and maternal/child health services and their receptivity to new ways of producing and marketing high-value agricultural products. There is a growing awareness of the importance of women in achieving development objectives. New programs, laws and attitudes, and greater decentralization, are creating the conditions necessary for fundamental social change.

Taken together, this is a powerful and integrated approach to lift Nepal out of the bottom ranks of Asian poverty. With a sharp acceleration in agriculture production and reduction in family size, farm incomes will rise rapidly. Farmers will then have the purchasing power to boost the demand for high-value agricultural commodities and for non-agricultural goods from small and microenterprises in villages and market towns. Since these activities are employment intensive, they will drastically reduce poverty in Nepal. By 2025, rural poverty could fall by 5.5 million and the proportion of the rural population in poverty would be only 30% of present levels.

USAID/Nepal will join with the GON and donor community to sharply accelerate agriculture GDP growth rates to 5% annually. Specifically, we seek sustainable increases in sales of high-value agricultural products through expanded market participation primarily in the mid-western region, sustainable management of the land and water resources and increased

adoption of improved technology for high-value agriculture. This approach builds on years of assistance in the agriculture sector, winds down USAID support for irrigation in the plains, and focuses attention on the marketing of cash crops, primarily fruits and vegetables.

Path to Sustainable Development

Over the next 20 years, it should be possible for Nepal to accelerate agricultural growth to 5% per year, and reduce the total fertility rate to 2.6 (2.1 being the minimum family size necessary to stabilize population growth). Rural poverty would decline to 30% of present levels. USAID will help Nepal climb out of current stagnation by:

- increasing sustainable sales of high-value agriculture;
 - reducing fertility and improving maternal-child health; and
 - empowering women.
-

Population growth rates will decline by reducing fertility and improving maternal and child health. Total fertility rates should decline from 5.6 to 4.5 by the year 2002. This will be possible by increasing use and quality of family planning services. While this will be our primary focus, we will also undertake complementary but more limited maternal-child

health service interventions.

USAID will also help to empower women in specific ways by supporting programs that increase female literacy, improve legal rights, and expand business services and credit.

Achieving these ambitious objectives requires focus. We are phasing out 21 discrete activities which are not central to our strategy. At the same time, we will continue to press for macroeconomic reforms, support focused HIV/AIDS interventions and bolster local democratic institutions.

Solid accomplishments can be realized over the next 8 years. We expect to be able to increase national production and sales of high-value agriculture by 15%, thereby raising household incomes of two million people (10% of Nepal's current population) by 50%. Average family size will decline from 5.6 to 4.5 while the contraceptive prevalence rate will increase from 24% to 39%. Female literacy will increase substantially from 20% to 40%.

This strategic plan supports larger U.S. interests in Nepal as reflected in the U.S. Mission Program Plan, strengthening and consolidating democracy, encouraging economic growth, and providing greater focus on global issues (particularly slowing population growth and protecting the environment). We are partners with the Embassy, USIS and Peace Corps in accomplishing these larger objectives.

This strategic plan also supports larger U.S. interests in the subcontinent. The outcome of Nepal's political, economic and environmental development has implications beyond its borders. If Nepal's democracy does not hold, the country could face civil unrest that could spill over to its southern neighbor. If population growth does not stabilize, an additional 20

million Nepalis could become economic refugees in an already overpopulated northern India. If Nepal's important environmental resources are not protected, valuable economic opportunities will be lost.

Because Nepal is intertwined with the politics, population and health status of its regional neighbors it has a direct influence on the development prospects of nearby and neighboring countries, and contributes to the economic and political stability of the region.

B. Strategic Objectives

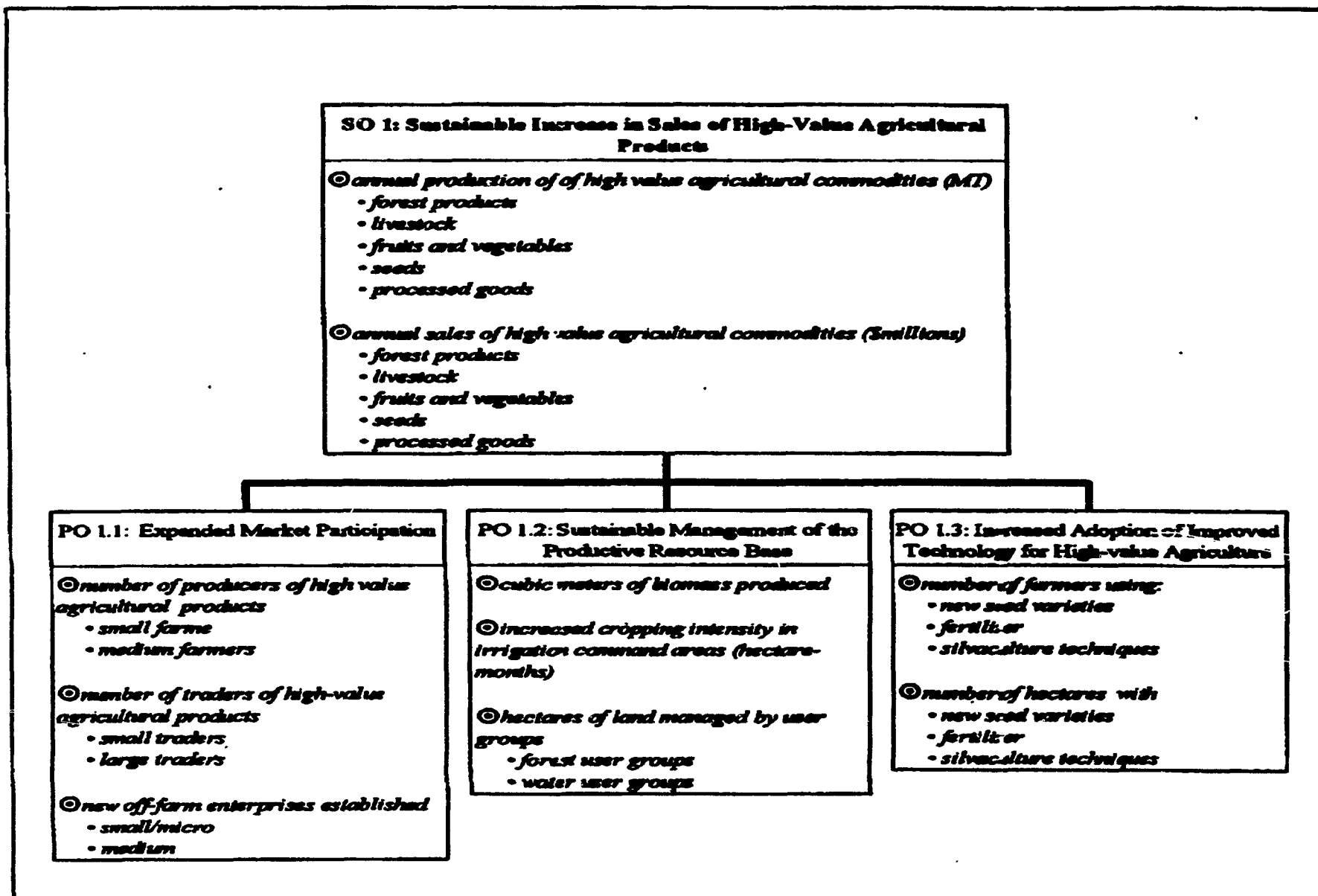
Strategic Objective 1

Sustainable Increase in Sales of High-Value Agricultural Products

Problem The continued increase in the numbers of people living in poverty and environmental degradation is the direct consequence of a low growth agricultural economy during a period of rapid population increase. The existing technology and resource base is being exhausted to support population growth without providing the necessary economic growth for diversifying the economy in a manner that leads to broad-based sustainable development. A slow growing, subsistence-based economy offers few opportunities for reducing poverty and improving the quality of human life. Because agriculture plays the dominant role in Nepal's economy, agricultural growth strongly influences the possibility of beneficial effects on the rest of the economy.

Approximately 80% of Nepal's population depends on agriculture, a majority of which is subsistence, for its livelihood. These subsistence farming systems, however, have long since reached an evolutionary peak of productivity. The yields of major food crops have stagnated and an ever-increasing population forces the unsustainable exploitation of the available natural resource base. Subsistence agriculture does not generate sufficient income or provide adequate economic incentives to invest in the improved technologies required to reverse these productivity declines. Experience in certain areas of Nepal and other South Asian countries has demonstrated that income derived from the production of high-value crops for the market economy creates favorable conditions for financially-sustainable farming enterprises and environmentally-sustainable production systems. Accelerated agricultural sector growth will require expanded farmer participation in markets for high-value commodities to achieve income growth potentials.

For several decades the government attempted to control and manage forests and irrigation systems through centralized bureaucratic systems. This resulted in large-scale deforestation, inefficient irrigation systems, environmental degradation and low agricultural productivity. To compound the problems caused by unsustainable subsistence agriculture practices, geographic isolation and a feudal bureaucracy prevented the adoption of new and improved agricultural technologies and the development of a market economy. These problems have prevented Nepal's rural population from moving out of a subsistence economy. It has also seriously delayed the agriculture sector's potential for stimulating other sectors of the economy.



Approaches Recognizing the vicious effects that subsistence agriculture and high population growth have had on Nepal's economy the GON and donor community developed a 20-year APP to accelerate Nepal's agricultural growth rate by 2 percentage points, from 3 to 5% per annum. If successful, the APP will result in a six-fold increase in the rate of growth of agricultural output per capita.

The APP recognizes the need for a different strategy for the terai (the plains bordering India) from the hills and mountains. The terai strategy is technology driven, emphasizes production of basic food staples, depends heavily on groundwater development and improved management of surface water irrigation, and accelerates use of fertilizer, research and extension. The strategy for the hills and mountains is demand driven, in that farm production will be prompted by market opportunities. Rising incomes in the terai combined with an expanded export market will provide the demand for high-value agricultural commodities that are relatively more important for income generation in the hills and mountains than in the plains.

The hills strategy concentrates on increasing key high-value commodities, increasing the efficiency of marketing inputs, improved processing, and overcoming farming system constraints to rapid growth of those commodities. Commodities at the center of the hills package are livestock (milk), citrus, apples, vegetables, vegetable seed, and the products of apiculture and sericulture. The hills strategy also requires a system of agricultural roads that will facilitate the commercialization of agriculture, fertilizer supplies in the quantity and time required, improved technology and improved water control.

USAID will play a key role in the execution of the APP. We will concentrate on accelerating agricultural growth in the hills and mountains, with a geographic focus in the mid-western region. This region is a significant producer of forest products, livestock, fruits and vegetables, seeds, and processed goods so increases in annual production and sales from the Mid-Western region will be reflected in national-level statistics.

Our Strategic Objective is to achieve sustainable increases in sales of high-value agricultural products through expanded market participation, long-term management of the productive resource base, and increased adoption of improved technology. Our approach to achieving this Strategic Objective will be to build upon and expand successful models that were pioneered in the Rapti Development Project for the production and marketing of high-value agriculture, coupled with the sustainable management of the natural resources base through community forestry.

Expansion of high-value agriculture will begin with 600 production associations USAID organized in the Rapti zone of the mid-western region which have experienced a 40% increase in their incomes over the past 5 years. The first phase of expansion will ensure the viability of these 600 associations primarily through strengthening the relationships between producers, marketers, processors and consumers. The second phase will extend the Rapti Development Project's production and marketing model into 5 additional districts of the mid-western region. The pace of such an expansion will largely be determined by the level of

resources available for this expansion. Our intention is to be working with 1,000 production associations within 5 years. This level of expansion would directly benefit up to 2 million rural dwellers, or 10% of Nepal's present day population.

The third phase of expansion will be the replication of this model to other hill and mountain regions. Such a nationwide expansion will take place as our successful experiences are incorporated into GON plans, policies and programs and the agricultural projects being mounted by other donors. This phase need not wait until all 1,000 production associations in the mid-west are fully functioning. Indeed our ability to influence national policies is already reflected by the incorporation of the Rapti model for high-value agriculture in the APP and our continuing interactions with other donors. We will improve the policy environment for high-value agriculture over this strategy period, with activities focused on further deregulating marketing of key agricultural inputs, price controls, and agricultural finance.

There is a need to develop sustainable models which conserve the natural resource base. Presently 400 community forest user groups have been established in 12 districts where USAID-supported NGOs are implementing programs. With the recent passage of new forestry legislation and given community-based demand for the acceleration of this model, we expect to be working with 1,600 such groups in 19 districts within 5 years. This community forestry model has been widely accepted in Nepal and requires a concerted level of support for this rapid rate of expansion. Evidence from a number of evaluations indicate that forestry productivity, the expanded value of forest product biomass, increases approximately 50% within 4 to 5 years following transfer of management responsibility to community forestry user groups.

The hill and mountain areas targeted for expansion in high-value agriculture are areas of food deficit, where extremely high rates of micronutrient deficiencies have been documented. Particular focus will be placed on increasing production and availability of micronutrient-rich high-value fruits and vegetables to assure that the at-risk populations have access to appropriate foods, and to increasing their availability in markets across the country.

While our strategy targets high-value agriculture production and marketing for the hills and mountains of the Mid-Western region, USAID will also be completing the final phase of

Apple Production and Sales

In August, 1994, Shalik Ram, representing the Jinabang Apples Producers Association of Rapti Zone, arranged the sale of 70 tons of high quality apples to traders and merchants in outside markets. In each case, "Jinabang Apples" replaced apples traditionally imported from India. USAID introduced this high-value agricultural commodity in 1986, with technical assistance and new apple planting materials. Total apple exports out of Rapti were 180 tons in 1994 and are projected to reach 8,000 tons by FY 1998. Increased incomes allow Shalik Ram and other farmers to remain in their communities during the "lean season," send their children to school, obtain medical care, and start household savings.

support for the transfer of surface irrigation management in the terai. In a program co-financed by the Asian Development Bank, USAID will facilitate the transfer of irrigation management responsibilities to user groups in 11 (out of a total of 28) national irrigation systems. The GON with World Bank assistance is integrating our model across the remaining systems. Our program will affect 38,000 farm households managing 67,000 hectares of irrigation command area. Transferring responsibilities for the first two systems is nearly complete and is resulting in a doubling of agriculture production on 14,000 hectares of irrigated lands.

Program Outcome 1.1

Expanded Market Participation

Increasing farmer access to commercial opportunities provided by the vast network of markets in Nepal and of northern India for a range of high-value products is key to raising rural incomes and increasing the agricultural growth rate. Experience here has also shown that expanding market participation creates the necessary economic incentives for farmers to improve natural resource management practices and they tend to be more innovative when considering technological options, 2 very important elements for long-term resource sustainability. Continued expansion of market opportunities, including those in post-farmgate agroenterprises, and enhancing farmers' capacities to be effective market participants, are necessary.

USAID will expand proven models to increase agricultural sales to approximately 1,000 high-value production associations, representing 2 million people, in the Mid-Western region over the strategy period. Analyses will be performed of the potential for these associations to sell key commodities in regional markets in Nepal as well as niche markets in neighboring Indian states. Annual marketing workshops will then be held with representatives of the associations, traders and wholesalers. Forward contracts will be used for producers/marketers to lock in agreements. This will provide producers with sufficient confidence on the marketability of their cash crops. Private local firms will assist with implementation. Assistance will also be provided to key commodity associations at the national level to address important business and marketing issues.

Program Outcome 1.2

Sustainable Management of Productive Resource Base

Through local control and management by private user groups, forests, pastures and water will be sustained and utilized productively for the generation of high-value agricultural products. In forests there will be increases in biomass produced for use by private individuals and communities for income generation and local development. In irrigation there will be increased cropping intensities and higher overall yields.

Specifically, in the forestry sector, USAID will assist community forest user groups in 19 districts of Nepal to prepare forest management plans, a necessary precondition for the GON to officially turn over forest management responsibilities to these user groups. Advanced

groups will then address second generation issues related to the sustainable management and utilization of the forests now under their control. Aside from preservation and increased income derived from the forests, local communities will benefit from increased soil fertility due to the nutrient cycling between forest products and livestock-produced compost, which is applied to arable land.

In the irrigation sector, USAID will complete the final phase of assisting the GON to fully incorporate the irrigation management transfer model into surface irrigation systems. Working with the Asian Development Bank, 11 surface irrigation systems will be turned over to community-based water user associations. USAID will focus on strengthening these associations through training and consultancies.

Program Outcome 1.3

Increased Adoption of Improved Technology for High-Value Agriculture

The incorporation of new scientific and management technologies by farmers will result in an increase in the production of high-value agriculture. These technologies are new planting materials (seeds), improved agronomic practices, as well as more productive combinations of water control, fertilizer and seeds. Recent experience where high growth agriculture has begun to take off demonstrates a high demand for new appropriate technologies for which producers are now ready to invest. Technology-induced resource productivity will increase as farmers become more knowledgeable in new improved agricultural methods and benefit from the sale of their products.

Since 1991, USAID has supported the development of the National Agriculture Research Council (NARC) as an autonomous national research center focused on adaptive research for cereal and cash crops. Within the next year, the World Bank will begin a new program with NARC which will include support to broader issues of institutional development. Recently, the Research Council has established a new strategic plan which places much greater emphasis on outreach research programs, on-farm adaptive research carried out on farmers' fields. USAID will support this outreach program and begin to focus additional support on high-value agricultural commodities, in particular horticultural crops. Targeted to the high-value production associations in the Mid-Western region, these producer groups will assist scientists in determining priority research issues and cooperate with Research Council scientists in carrying out on-farm adaptive research.

Expected Impact By the end of eight years, we expect to see a significant sustainable¹ increase in the sales of high-value agricultural products. Production levels should multiply 350% to almost 200,000 metric tons annually and sales will increase six-fold to more than \$45 million annually. At the national level, this would amount to a 15% increase in the annual production and sale of high-value agricultural commodities.

This strategy will likewise significantly impact on rural household incomes in program areas, with a total beneficiary population of 2,000,000, 10% of Nepal's current population. Over the strategic planning period, high-value agricultural producer associations will increase from 600 to 1,000, forest user groups from 400 to 1,600, and water user associations will expand to encompass 38,000 households responsible for 67,000 hectares of land. This amounts to approximately a 30% increase in such user groups in Nepal. Judging from results to date, household incomes of affected populations should increase by 50%.

Finally, Nepal as a nation will be in a better position to become a more active participant in export markets with its food industry moving to higher levels of sophistication. Workable approaches for better conservation of its natural resource base will be further developed, as it further intensifies commercial agricultural production, thereby ensuring the benefits of growth to be enjoyed by generations to come.

Performance Indicators and Targets are found in Annex A.

Other Donors Using the APP framework, USAID's program both complements and reinforces other donor activity. The Asian Development Bank and the World Bank are financing additional rural roads construction in selected areas of the Mid-Western region which complements USAID's focus on market participation. This transport infrastructure will serve to sustain high-value agricultural market expansion over the strategy period and beyond.

Our joint venture with the Asian Development Bank in irrigation management combines USAID's institutional focus on water user group development with the Bank's ability to finance the higher cost engineering and rehabilitation. The World Bank is important in the irrigation sector and is attempting to adapt new management transfer approaches to the systems it supports.

¹ The term "sustainable" is being used in both a financial and an environmental sense. By measuring production over the strategy period, we will follow the environmental soundness of the aggregate farming systems. By measuring sales levels, we will follow the financial sustainability of the high-value agricultural model, again in the aggregate. We will then separate out production and sales figures to examine individual production associations; allowing us to follow, for example, some of the older associations over a long period of time to ensure that they remain environmentally and commercially sustainable. This will also give us a "customer" focus at the Strategic Objective level.

The donor activity most critical to USAID success in achieving a large aggregate impact on expanded farmer participation in high-value agricultural markets at the national level is the World Bank's Agricultural Research and Extension Project. The project will assist in instituting major reforms in the agricultural extension service with an expanded focus on high-value agriculture. The project, through its public sector focus, supports USAID's emphasis on promoting increased private sector solutions.

The technology adoption program fits very well with other donors, including the World Bank, Swiss Development Corporation, Asian Development Bank (Secondary Crops Project) and international research organizations ICRISAT and CIMMYT. USAID is working with all these donors.

Roads Not Taken USAID will not provide significant resources to public sector Nepali institutions to achieve this Strategic Objective. Focus instead will be on private sector extension delivery mechanisms where each party, farmer, trader and agroentrepreneur - has a commercial stake in the program outcome. The abilities and policies of the government which facilitate the growth of a more commercialized agriculture will continue to be a high priority for the USAID program. The World Bank's Agricultural Research and Extension Project will complement USAID's private sector approaches.

In mid-western Nepal, USAID has assisted in the construction of 260 km. of farm-to-market roads during the past decade. By mid-1995 this road program will be completed. Rural roads have been a key component for creating a dynamic marketing system in this area, and are one of four priorities in the APP, however for resource reasons and expected future assistance from the World Bank, Asian Development Bank and the British government, USAID will no longer build roads.

In irrigation, the current joint program with the Asian Development Bank focuses on decentralizing management responsibilities. This will be USAID's final effort in this sector. In addition to transferring management of surface irrigation systems to water user associations, the future of irrigation in Nepal is in tube-well development in the terai. USAID does not have a comparative advantage in this sector and will not be involved in this activity in the future.

Key Assumptions

- The GON will maintain favorable policies in support of increased agricultural sector growth (forestry, pricing, input subsidy, agricultural extension reform, etc.).
- Expanded high-value agricultural production and marketing will lead to sustainable commercial relationships and improved resource management.
- The economic returns to high-value production and marketing will remain favorable.

- The pace with which the Ministry of Forestry and district-level forestry departments are capable of effectively implementing Forestry By-Laws to facilitate increased forest turnover will be adequate.
- Local elites will not dominate forest user groups.

Consultations Held During the two-year preparation of the APP, numerous consultations and workshops were held in Kathmandu and regional locations. Participants included representatives of government, donor agencies and consultants, private sector groups and individuals. Producers, traders and private entrepreneurs were prominently represented in regional workshops, meetings and focus sessions. Five donors and international agencies provided consultants in addition to 15 national consultants who prepared technical analyses for various elements of the APP. The result has been a broad consensus on its validity as the central framework for future investments in agriculture.

Strategic Objective 2

Reduce Fertility and Improve Maternal and Child Health

Problem While Nepal has shown some encouraging signs of progress toward reaching the government's health policy goals for the year 2000, continued strong support for the national family planning and maternal child health programs is still necessary. There remains a very large unmet need for family planning; a great number of gaps in family planning and maternal-child service delivery; and a large number of high-risk births.

Data from the 1991/92 Nepal Fertility, Family Planning and Health Survey suggest strong and growing demand for quality family planning services. Mean desired family size has declined from 4.0 to 3.2 children since 1976, and the unmet demand for family planning (the portion of women wanting to limit or space) is high. The Survey estimated that approximately 1.1 million married women of reproductive age wanted to limit (51%) or space (49%) their next birth.

Potential Contraceptive Use

Unmet Need = 28%

Current Contraceptive Use = 24%

If all women who wanted contraception were to get it, Nepal could potentially reach a contraceptive prevalence rate of 52% today!

The lack of trained service providers (especially for voluntary surgical contraception) and periodic shortages of contraceptive supplies in many health facilities continue to limit access to services. Adoption and continued use of family planning methods is also constrained by the lack of accurate information

about contraceptive methods, both among providers and clients, as well as by poor counselling and interpersonal communication skills.

It has been well-documented internationally that parental concerns about child survival are a powerful factor influencing demand for family planning services. This is especially true in Nepal where infant and under-five mortality remains high (102 per 1000 live births and 165 per 1000 respectively), and where there continues to be strong social/cultural pressure to have at least one living son. Poor infant and child survival rates contribute to the large gap in Nepal between the expressed desired family size (3.2) and the average numbers of children being born to a woman (5.6). Until families have confidence that their children will survive, they cannot limit births to optimal or desired levels. Improving child survival is a necessary prerequisite for couples choosing to have smaller families. Family planning offers reduced risks associated with pregnancy and childbirth by delaying first births, spacing subsequent births, or limiting child bearing through permanent contraception. Reducing the number of "high-risk" pregnancies and births enhances prospects of child survival and reduces maternal mortality and morbidity.

The principal causes of under-five morbidity and mortality in Nepal are diarrheal diseases (35%), acute respiratory infections (40%) and vaccine preventable diseases such as neonatal tetanus and measles. The incidence, severity and duration of illness are complicated by the effect of successive illnesses and poor nutritional status, including high prevalence of vitamin A deficiency. The principal causes of maternal mortality and morbidity are obstructed labor, infection, hemorrhage and abortion, much of which is due to births occurring too early or too late, spaced too closely or too many unwanted pregnancies.

Approaches USAID will support the GON's efforts to reduce fertility, and consequently the rapid rate of population growth. USAID's assistance focuses on increasing the availability and use of quality voluntary family planning and reproductive health services in Nepal; coupled with efforts to enhance child survival, reduce maternal mortality, and increase female literacy. It is expected that this assistance will result in an increase in modern contraceptive use from the 1991/92 level of 24% to 39% by 1997.

This increase in contraceptive prevalence will be accomplished by a focused effort to improve the availability, quality and use of family planning and reproductive health services. Program interventions will improve the:

- availability of services through supporting efforts to make permanent and temporary family planning services available on a year-round basis in priority districts;
- availability of supplies through establishing a logistics management system for family planning, maternal and child health programs;
- quality of and capacity for service delivery through the development of comprehensive pre-service and in-service reproductive health and family planning training programs;
- use and quality of services through an information, education and communications program that improves client-provider interactions and information available to clients; and
- availability and quality of services through increasing the role of the private and NGO sector.

SO 2: Reduce Fertility and Improve Maternal-Child Health

⊙ *total fertility rate*

⊙ *Program Policies/technical guidelines (consistent with internationally accepted standards) for selected maternal-child health interventions in place*

PO 2.1: Increased Use of Family Planning Services

⊙ *contraceptive prevalence rate*

⊙ *unmet need for family planning satisfied*

⊙ *couple years of protection (CYP) provided through: private sector outlets, NGO service sites, and priority district hospitals*

⊙ *warehouses stocking a three-month supply of contraceptives*

PO 2.2: Increased Quality of Family Planning Services

⊙ *health workers certified as family planning service providers*

⊙ *service delivery points certified for provision of contraceptive services*

⊙ *married women of reproductive age (MWRRA) knowing spontaneously temporary family planning methods*

⊙ *trained family planning service providers counseling routinely and according to MOH guidelines*

PO 2.3: Increased Use of Selected Maternal-Child Health Services

⊙ *children 6-60 months receiving one vitamin A capsule every six months*

⊙ *caretakers of children (under 5) with pneumonia symptoms seeking appropriate treatment*

⊙ *mothers with births in the last 5 years who have ever used oral rehydration solution*

⊙ *women of reproductive age who use antenatal services*

USAID will also provide limited support to selected maternal-child health programs that address important factors influencing use of family planning services: high infant and child mortality, high maternal mortality and low female literacy. Key interventions include support for the following child health programs:

Tapping the Private Sector

USAID has successfully tapped the private sector to significantly improve the availability of family planning contraceptives and services. Through Nepal's social marketing program, condoms, orals, and vaginal foaming tablets are available through a range of different retail sites throughout Nepal. Injectables are available through a network of trained pharmacists located in the Kathmandu Valley. USAID also supports a program to train and certify private physicians to provide family planning services through their own clinics.

● Control of Diarrheal

Diseases: to promote early and appropriate use of oral rehydration therapy to prevent deaths due to diarrhea-related dehydration;

● Acute Respiratory

Infections: to improve the diagnosis and treatment of life-threatening pneumonia; and

***Vitamin A:** to prevent blindness, illness, and death among infants and young children through the twice-yearly distribution of vitamin A capsules, and by increasing local production and consumption of

vitamin A rich foods.

Concurrently, support will be provided for activities that increase utilization of maternal health services:

● **Maternal Health:** to decrease unwanted pregnancies through increased acceptance of family planning services, especially by women who are post-partum or post abortion, and to increase access to safe births; and

● **Female Literacy:** to increase adult female literacy through increased availability of NGO-run non-formal education programs which provide an initial basic literacy course, often supplemented with specific health-related learning materials and, where possible, a health-focused three-month post-literacy course. [See Strategic Objective 3: Empowerment of Women.]

USAID is currently providing specific technical assistance to develop and strengthen the first three programs and general program support for the last two activities. However, over the next 5 to 8 years, USAID will focus less on the central level and more on monitoring and implementation at the grassroots level through the government Female Community Health Volunteers (FCHVs) and NGOs.

Program Outcome 2.1

Increased Use of Family Planning Services

USAID will increase the use of family planning services through expanding the availability of services in both the public and private sectors. Working closely with the Ministry of Health, UNFPA, USAID cooperating agencies and contractors, a local social marketing company, and NGOs, USAID will support programs to:

- Establish year-round family planning and reproductive health services in targeted government district hospitals;
- Strengthen the Ministry of Health's national, integrated logistics management system;
- Provide contraceptive supplies to the public and private sectors;
- Extend access to information and services at the community-level through the Ministry of Health's FCHV program;
- Assist indigenous and international NGOs to extend access to and improve the quality of services in unserved or underserved areas;
- Encourage private medical practitioners to provide family planning services; and
- Assist the private sector Contraceptive Retail Sales Company to expand its overall market share and increase sales.

Program Outcome 2.2

Increased Quality of Family Planning Services

USAID will focus on improving training in clinical skills and counselling for service providers and in improving the delivery and content of family planning information available to both providers and clients. Working closely with the Ministry of Health, UNFPA, and USAID cooperating agencies and contractors, USAID will support programs to:

- Design and implement comprehensive pre-service and in-service family planning and reproductive health training programs for physicians, nurses and paramedics;
- Design and implement family planning counselling and interpersonal communication skills training for all levels of service providers; and
- Develop and distribute information, education and communication materials for both providers and clients.

Program Outcome 2.3

Increased Use of Selected Maternal and Child Health Services

USAID will focus on those interventions that have proven effective in addressing the most important causes of under-five morbidity and mortality. Working with the Ministry of Health, UNICEF, USAID cooperating agencies, contractors and NGOs, USAID will support programs to:

- Reduce deaths from dehydration due to diarrheal diseases, by providing technical assistance and modest program support to increase the utilization of oral rehydration solution by mothers and caretakers;
- Reduce deaths from acute respiratory infections through developing national policies and treatment guidelines emphasizing early detection and appropriate treatment of the signs and symptoms of pneumonia by mothers and other caretakers and supporting activities to implement them;
- Reduce vitamin A deficiency in 32 districts through technical support for twice-yearly supplementation with vitamin A of children aged 6 to 60 months and development of longer term strategies for modifying food habits, diversifying diets, increasing production and consumption of vitamin A rich foods and increasing maternal literacy;
- Strengthen the FCHV Program, which represents a national network of over 32,000 female community-level workers who play a key role in delivering both maternal child health and family planning services, through technical support to improve training curricula content and methodology, helping to finance training costs, and developing and testing improved logistics and supervision systems; and
- Strengthen the Traditional Birth Attendant (TBA) Program by supporting training activities in 19 districts to improve TBAs' ability to assist in safe deliveries and to motivate couples to use family planning.

Expected Impact It is anticipated that USAID assistance to Nepal over the next eight years that is focused on increasing the availability, quality and use of family planning and selected maternal/child health services will result in reducing the fertility rate to 4.5 and increasing contraceptive prevalence to 39%. The systems and resources necessary to achieve this will be in place at that time: a functioning, integrated logistics management system in all 75 districts of Nepal that is managed and maintained by the public sector; 40% of family planning services provided through the private, retail and NGO sectors; and greatly improved quality of care provided by health personnel who are properly trained and certified to counsel and provide voluntary family planning services to clients. In addition, national programs and technical guidelines for control of diarrheal diseases, acute respiratory infections and vitamin A deficiency will be routinely implemented through Nepal's primary health care system and appropriate interventions will be used by caretakers at the household level, resulting in significantly increased child survival rates for infants and children, and, subsequently, reduction of unwanted pregnancies and maternal mortality.

Thus, by the year 2003, Nepal should be on the path to a significant fertility reduction with a public sector family planning program that is able to appropriately train, staff and supply voluntary family planning services, complemented by a viable private sector delivery system. This collective effort to provide the services currently desired will enable Nepal to achieve the smaller family size necessary for sustainable development.

Performance indicators and targets are found in Annex A.

Roads Not Taken To assist Nepal in reducing fertility, USAID has chosen to focus on the most critical of the direct determinants of fertility: use of contraception. The other

determinants, age at marriage, prevalence of breastfeeding, and incidence of induced abortion, do not present opportunities for USAID to make a significant contribution to reducing fertility. The relatively young age at marriage is likely to persist and USAID could have little direct influence over this cultural practice. Exclusive breastfeeding is practiced nearly universally for the first 3 to 4 months after birth, thus delaying the mother's return to fertility.

There is little additional impact on fertility that could be achieved through further promotion of breastfeeding by USAID. Abortion is illegal in Nepal and it is difficult to determine the extent to which it is practiced, although there is evidence that it is increasing. Studies have shown that improved ready access to family planning information and services contributes to reducing unwanted pregnancies.

In assisting Nepal to improve maternal and child health, USAID has selected interventions in accordance with need, activities of other donors, and USAID's comparative advantage. One intervention in which USAID is not currently engaged is the expanded program on immunization (which also provides tetanus toxoid to women of reproductive age). While this is a critical area of child survival, UNICEF and the World Health Organization are fully supporting this activity in Nepal. Another important factor in maternal child health is nutritional status. Malnutrition is a major underlying cause of child mortality in Nepal. However, it is an intersectoral problem that is related to low incomes and unavailability of appropriate foods in many areas, and is not in USAID's manageable interest in the health sector. UNICEF is working on growth monitoring, breastfeeding and iron and iodine deficiencies, while USAID leads in addressing vitamin A deficiency.

In maternal health, UNICEF and the World Health Organization lead in the development of the Safe Motherhood Plan of Action for Nepal. The British government is expected to provide assistance to renovate 10 district hospitals in the initial phase of the Safe Motherhood program in order to improve emergency obstetric care. USAID's focus in this area is on assistance to the family planning program as a reduction in unwanted pregnancies and increased time between births are critical factors in improving maternal health and reducing maternal mortality.

USAID has recently completed assistance for the control of malaria, after 40 years of support. The GON has taken over full program management responsibility. The annual parasite incidence continues to remain well below the 4.0% target established by the GON and USAID in 1990 for phasing out USAID's assistance in this area.

Key Assumptions

- Ministry of Health staffing is adequate for providing family planning and maternal/child health services.

- The GON's population and health policies continue to support expansion of integrated family planning and maternal/child health services in the public and private/NGO sectors.
- Latent demand for family planning and maternal/child health services can be activated through increased availability of quality family planning/maternal child health information and services.
- Government health policies continue to support primary health care interventions.
- The GON is able to provide the resources required to meet the recurrent costs of a national public health system and to begin paying for some of the commodities/drugs currently paid for by donors.

Consultations Held The strategy presented here builds on strategy documents produced as part of Nepal's designation as a Joint Programming country for population. In 1992, Nepal was designated one of twenty priority countries for population assistance under the USAID global strategy for population. In 1993, USAID developed a new comprehensive strategy for population and health, which described planned assistance and defined resources required from bilateral and global field support funds. This exercise was undertaken with government, private and NGO sector counterparts, and in close collaboration with key donors and selected USAID cooperating agencies and contractors. The consultation process continues as we have refined our strategy. USAID belongs to the Health Sector Donors Group and participates in program reviews chaired by the Ministry of Health.

Strategic Objective 3

Empowerment of Women

Problem Participation in formal sectors of society by women is a new concept for Nepali citizens. At the grassroots level, control over scarce resources has traditionally been limited and women, in particular, have been excluded. Although Nepali women are the predominant productive force in the agricultural economy, they are marginal "stakeholders" in that production because they do not receive incentives commensurate with their labor. If Nepal is to progress economically, extraordinary efforts must be taken to address the status of rural women.

The status of women in Nepal is represented by some of the poorest social indicators in the world. Female life expectancy is 53 years, one of only six countries in the world where female life expectancy is lower than male. The maternal mortality rate is 515 per 100,000 births, second only to Bhutan in the Asia region. Female literacy is approximately 20%, one of the lowest rates in the world. Current inheritance laws prevent married women from having any legal claim to their families' property. To address these harsh statistics and the challenges they represent, USAID has been involved in a variety of activities which significantly enhance the participation of women in social, political and economic arenas.

Although women work an average of three hours more each day than men, women are largely reported as economically inactive. Rural women are involved in labor-intensive farm work and time-consuming domestic chores to provide fuel, water and food for household members and farm workers. In 1991, 36% of the female population was recorded as economically inactive, despite the fact that many of the activities carried out by women are essential for the survival of the household.

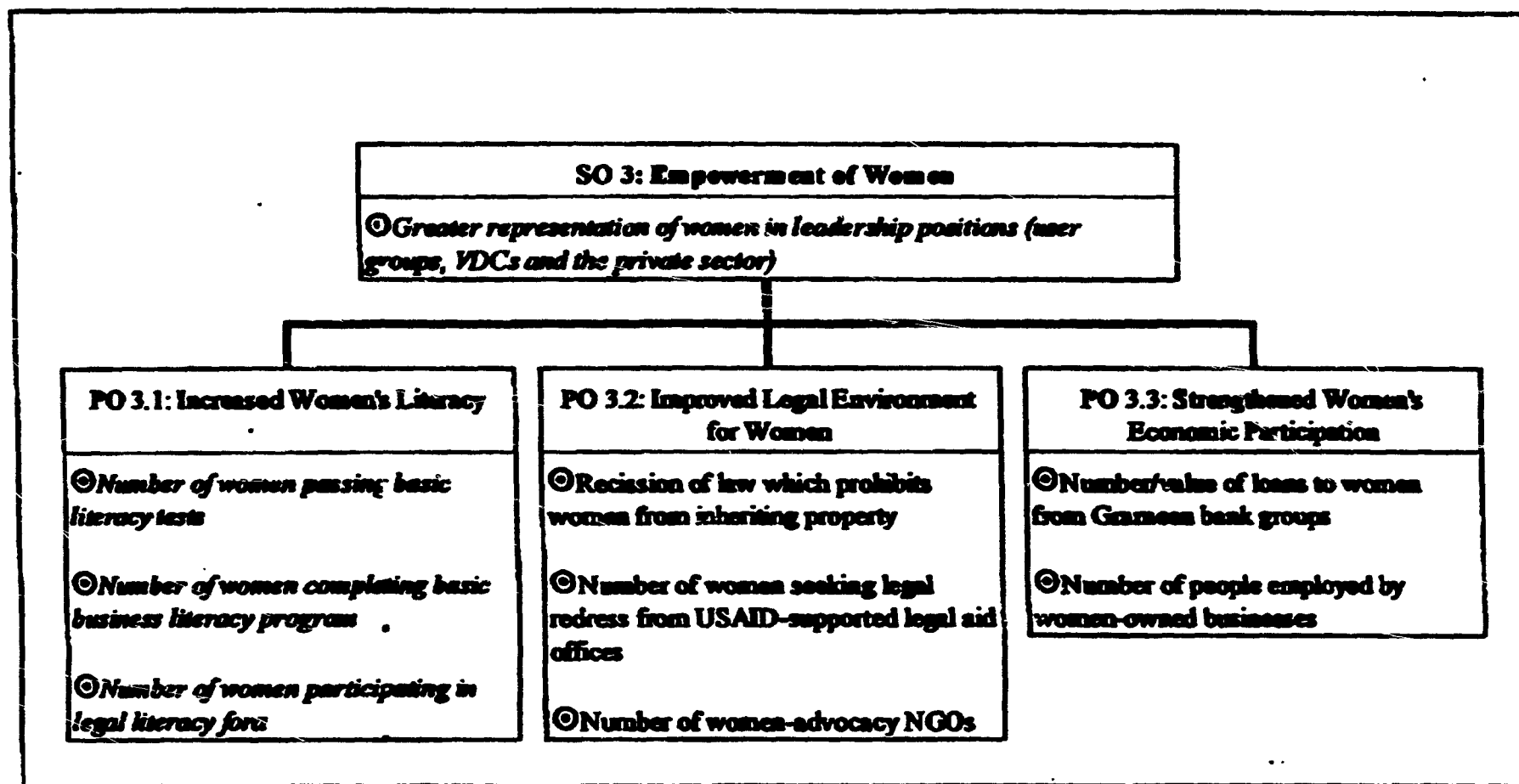
USAID recognizes that current representation of women in national and local leadership positions is insignificant. Since 1990 the governments of Nepal have made formal commitments to increasing the political participation of women through such efforts as a constitutionally-mandated 5% female candidate requirement for general election and the formation of a National Council for Women and Children. Declining USAID resources compel us to focus in areas presenting the greatest potential for significant impact -- the grassroots community level.

Female representation in local government is nearly nonexistent. There are no female chairs of any of the 75 District Development Committees (DDC). There is only 1 vice-chair of a DDC. Only 6 women were elected as members of District Councils. Less than 1% of Village Development Committee (VDC) elected officials or members are women. USAID's approach is to work at the grassroots level with local women advocacy NGOs, user groups and village and DDCs to encourage women to run for elected office. As more women capture representative positions at the local levels, there will be greater advocacy by women to strive for election to national office.

One of the major constraints to the empowerment of women is the high rate of female illiteracy, which presents a stumbling block to significant development. The literacy rate among women is the lowest in Asia. According to the 1991 census, rural women were about 20% literate.

A second constraining factor to women's empowerment is imbedded in legal structures and practice, and is closely linked with their economic status and prospects. Legally, women in Nepal may own property, but they are restricted in their ability to inherit it. As a consequence, very few women own property and, therefore, have no collateral for loans and little incentive to further the economic aspirations of their daughters. However, as important as the inheritance law is, it is perhaps not as important as women knowing their legal rights under the new Constitution. Because of their particular lack of access to information sources, women are much less aware of these rights than men, and are less likely to participate fully in political and economic spheres.

Finally, access to credit and economic information is essential for the full participation of women in economic and social fora. Producers need to be recognized and rewarded so that the empowerment of women is an economic reality as well as a political one.



BEST AVAILABLE DOCUMENT

Program Approach The major obstacle to participation by women in the development process is their extreme low levels of literacy and awareness. To increase the participation of women, USAID will work through a network of international and indigenous NGOs. Working with NGOs offers several advantages for implementing this strategy, as they work at a grassroots level and have established community relations.

USAID will work with NGOs to promote increased female literacy through enhanced non-formal education. USAID will fund NGO-based literacy and post-literacy training for 800,000 women over the next five years. Civic education and legal literacy activities necessary for greater democratic participation will be implemented through NGOs which advocate for women's rights and their improved legal status. In addition, USAID will improve access to credit and microenterprise opportunities for women in order to improve their economic status and that of their families.

Activities conducted under this Strategic Objective reinforce Strategic Objectives 1 and 2, as literacy, knowledge of rights, leadership, business skill training, and credit will improve the ability of women to play a greater role in forestry and irrigation water user groups, and agriculture producer associations, as well as enhance knowledge and use of family planning and maternal and child health services.

Program Outcome 3.1 **Increased Women's Literacy**

This program outcome will be measured by the number of women passing basic literacy tests, completing basic business literacy programs, and participating in legal literacy fora. In a country where women are particularly uneducated, equal participation in the democratic process is severely hampered. Without literacy, women have less access to information. Without information, women cannot effectively participate in a system of government that controls and distributes resources. Without information, women cannot know their legal rights and act upon those rights.

Literacy classes present important opportunities to share experiences outside their homes, to talk and learn about a larger world, and to have a sense of participating in that world via learning to read. Literacy groups, with no additional assistance beyond their training, have shown themselves forces for change in Nepal. Anecdotal evidence is abundant: forests planted, water systems installed, trails improved, and saving schemes established by groups who have chosen not to disband once literacy is achieved.

The correlation between female education and increased use of family planning services has long been documented; more recent findings show that literacy increases the rate at which females utilize and assimilate spoken as well as written development messages and new information. Literate women tend to take better care of their families' health, participate more in family decision-making and see that their children go to and stay in school at a much higher rate than illiterate women. Evidence from USAID/Nepal's literacy evaluation shows that class attendance alone appears to empower women, regardless of the level of competency

they achieve. As noted above, literacy classes often perpetuate themselves in women's community groups

USAID began a basic education/female literacy program in 1994. At present, 275,000 women are receiving basic literacy and numeracy training. At the end of four years, the program is expected to have achieved literacy for more than 800,000 women. USAID is the leading donor in adult female literacy. Literacy has been considered important by virtually all donors and NGO's; there are over 130 NGOs and governmental organizations working in this area. However, until the beginning of this program, very few of the target population were being reached (less than 1%). Our program represents a significant scaling-up, using local NGOs as implementors. As a result, the British government is considering a follow-on effort in community literacy which will "piggy-back" on our program to insure that newly-literates have appropriate materials to continue to stimulate reading.

Program Outcome 3.2

Improved Legal Environment for Women

USAID will support efforts to address the discriminatory legal environment which denies women equal treatment under the law. Current law effectively limits women's property ownership, adequate levels of political participation and representation, equal opportunity in employment, and protection of constitutionally-guaranteed civil and human rights.

USAID is in partnership with indigenous NGOs who advocate for changes in the statutory laws which discriminate against women. Some of these laws, such as that which prohibits women from inheriting property equally with men, must be repealed; others, such as that which favors men over women in cases of dissolution of marriage, must be amended. In cases where favorable statutory law is in place, such as the prohibition on polygamy and girl trafficking and a rise in the legal age of marriage, the role of advocacy NGOs is to encourage enforcement. USAID supports legal aid offices in 6 geographically-representative districts, where women who have participated in legal literacy classes or who contact project-trained paralegals, can seek redress in the courts. Legal literacy classes and paralegal training for women are regularly conducted in rural and remote areas across the country. USAID's democracy support project activities include civic education and awareness classes, in which there is a legal literacy component.

USAID-supported advocacy groups and associations of interests are beginning to demand an equitable legal environment for women from their elected representatives and central level institutions. As women become more knowledgeable about their legal rights, and take action to protect those rights through advocacy or legal recourse, they are empowered to demand and obtain equal participation in the political and economic life of Nepal.

Through an on-going grant, a women's legal services activity this year will target a population of 2,550 rural poor women across the country to receive legal literacy training. Once these women have been trained, they return to their remote villages and transfer the information to their women neighbors. Evaluation surveys have shown that an increased

number of women who have received the literacy information from class participants have contacted a legal aid office for advice and, in some cases, representation.

Through USAID's Local Government Strengthening (LOGOS) Project, legal literacy training is offered in conjunction with civic education. Groups of women located on the Indian border presented a special challenge because of their traditional confinement to home and isolation from external influence. As a result of USAID activities ten committee of women have registered as an NGO, with the stated purpose "to help women use the law to help themselves."

Program Outcome 3.3 Strengthened Women's Economic Participation

The third program outcome will be strengthened women's economic participation in USAID-assisted areas. Empowerment of women is not complete without equal opportunity to participate in the economic life of the country. As women expand their economic power base through access to credit and ownership of businesses, their credibility as equal participants in the political system will increase. The result will be more women in leadership positions in the private sector, and more women elected to office at local and national levels.

Increased participation of women in processing and marketing of agricultural products builds on past USAID success in encouraging agriculture production groups. Increased production of high-value crops resulted in a demand for assistance in developing and accessing markets, as well as a need for training in post-harvest processing and storage techniques. In addition, increased demand for literacy and accounting training were observed. Women reported that their increased income from the project allowed them to invest in time-saving technologies, such as mechanical cereal mills, which free their time to, among other things, attend literacy classes. Activities supporting S.O.1 focus on changing gender beliefs that restrict opportunities for women. A 1995 analysis of these activities found that by providing technical inputs to women on an equal basis with men and by consistently and publicly demonstrating faith in the productive capabilities of women, perceptions have changed which made it easier for women to attend training and to move into the sphere of marketing as well as agricultural production.

Lack of access to credit has been an important limitation on women's opportunities to start businesses and engage in economic activities. The size of loans desired by most women is usually too small for consideration by the formal banking sector, and the inheritance law means that women usually do not have collateral. USAID-assisted Grameen style NGO banks and savings associations provide capital for women entrepreneurs. In addition, the Grameen-style banking programs focus on building the confidence of their members. Frequent contacts provide opportunities to reinforce health, sanitation and other development messages. USAID supplements these credit activities with business training and consultancy services by established Nepali producers and marketing experts. USAID will strengthen women's business associations so they can provide this assistance directly. In order to gain

some independence, women are quick to seize the opportunity to participate in cottage industries or livestock raising. In addition, USAID-assisted NGO Grameen style-banks savings associations provide the means for such would-be entrepreneurs to begin.

Expected Impact Adult female literacy is the lynch pin of our empowerment strategy; without it, other interventions for women are at risk. Literacy will allow women to capitalize on economic empowerment and to understand and advocate for their legal rights. It is essential for participation in a civil society emerging from subsistence agriculture. Our commitment to adult women's literacy is not open-ended. At the end of 8 years, illiteracy should be lowered sufficiently for USAID to consider withdrawing from the activity.

Project efforts and urban migration will be responsible for raising the rural literacy rates to a point at which USAID might withdraw. As a result of our efforts, more girl children will stay in school because their mothers' literacy training will have a substantial impact on changing the family's attitude toward girls' education. Further growth in the urban areas, where girls' school attendance is high and equal to boys, will also increase general literacy. If USAID's intervention can train enough women to equal/or exceed the number of newly illiterate girls (girl school drop-outs in grade one) each year, it is expected that by 2003 the rural female literacy rate could be 40%. Education and economic empowerment should act synergistically to produce broader female participation and leadership.

Performance indicators and targets are found in Annex A.

Roads Not Taken USAID withdrew from the formal education sector in the late 1980's, although we left in place technical assistance within the Ministry of Education, Social Welfare and Culture's evaluation and monitoring unit. This assistance resulted in a comprehensive education sector assessment. In general, the entire educational structure needed significant reform. Until 1992, assessment recommendations to emphasize primary education and adult literacy went largely unheeded. Education development dollars continued to be funnelled into university and secondary systems. At the same time, however, a consortium of donors including The World Bank, Asia Development Bank, UNDP, and the Japanese and Danish governments focused on primary education (Basic Primary Education Project). This project does not single out girls as targets, but by having as its express goal be quality universal primary education, it is extremely gender sensitive. Activities range from infrastructure construction to teachers' education and curriculum development. The Mission has closely examined the project and decided that another donor in this area would overburden the Ministry and add complexity to an already-convoluted management structure in primary education.

The Asian Development Bank supports a major project on secondary education and along with the Swiss government and United Mission to Nepal, supports technical education and vocational training.

Key Assumptions

- The Government will continue to look benignly on NGO formation.
- The Government will continue to encourage literacy training and women in development activities with grants through their line ministries for that purpose.

Consultations Held In developing this Strategic Objective extensive dialogue occurred at all levels of the Mission. Consultations were held with NGO grantees as well as with other sectors with cross-cutting themes. Our program was presented and discussed at the Donor Subcommittee on Women. We used focus groups with women entrepreneurs to determine their problems in micro-enterprise creation, credit and restrictive government policy. The literacy program was designed in collaboration with other major donors, NGOs and the government.

C. TARGETS OF OPPORTUNITY

While our program concentrates on the three Strategic Objectives articulated above high-value agriculture, fertility reduction and empowerment of women, we have identified three important Targets of Opportunity.

T.O. 1

Improved Macroeconomic Policy Environment

While the proposed high-value agricultural Strategic Objective can be achieved without significant macroeconomic policy reform, the chances for success multiply once the economic environment is right. For example, the state company responsible for importing almost all fertilizer has been unable to deliver adequate supplies on time for 3 of the last 5 years and the state production companies usually pay below-market prices for sugar, jute, tobacco and tea, thus discouraging these cash crops. Government policy to keep prices of essential goods, low in the cities results in reduced incentives to producers. The lack of simple, transparent and predictable rules for licensing and registration discourages new domestic and foreign companies from being formed. Most major taxes are negotiated. The resulting lack of predictability and corruption also act as major disincentives. The financial system is overburdened with controls, rules and directed credit that discourages banks from being innovative or supplying sufficient credit to rural areas and to new producers.

A rigorous program of economic policy reform has been central to USAID activities over the past four years. Due to funding limitations, USAID will focus its work on those aspects of economic policy reform that are most critical to the achievement of overall Mission objectives: tax reform, market deregulation, and the simplification of licensing and registration. Financial market reform will be limited to assistance to establish Grameen style banks (see S.O.3). The new Government, elected in November 1994, is still reviewing the accomplishments of economic liberalization from the previous administration. Recent policy pronouncements suggest a willingness to continue selected reforms, such as further simplification of licensing and registration, encouragement of foreign businesses, and the

TO 1: Improved Macroeconomic Policy Environment

◎ **tax reform**

-VAT (passed and implemented)

◎ **competitive economy**

-removal of government monopolies in production, sales and import/exports

◎ **registration/licensing (all sizes including foreign investors)**

-length of time to register (days)

-length of time to secure export license (days)

simplification of sales tax (that could lead to a value-added tax, or VAT).

The process of policy dialogue is not unlike that we went through with the previous government, which was initially hesitant, but gradually became a proponent of various reforms. For example, the current Government is in favor of simplifying licensing and registration. Its attitude has changed from being opposed to being in favor of selective privatization. The more favorable attitude towards privatization resulted from a Government task force's recognition of the large successes the previous administration and USAID had in transparently privatizing 7 enterprises to small-and-medium-sized businesses, resulting in a doubling of production and increased exports.

The task force on tax reform will submit its findings in May. However, presentations USAID made on the VAT led to comments by government representatives in April that they were impressed with the potential of VAT and its role in Nepal, but that they need to explore how long it will take to train personnel and implement the needed systems.

It is not possible, at this time, to be definite about what policy changes will be possible. We must continue our dialogue and advocate our recommendations until the mid-summer budget speech is made, when Nepal traditionally announces its economic policy program for the coming year.

Performance indicators and targets are found in Annex A.

T.O. 2**Increased STD/HIV Prevention and Control Practices
by High-risk Groups in Target Areas**

TO 2: Increased STD/HIV Prevention and Control Practices by High Risk Groups in Targeted Areas	
①	<i>condom use by persons with high risk behaviors:</i>
	<i>-commercial sex workers</i>
	<i>-clients of commercial sex workers</i>
②	<i>private practitioners certified to diagnose and treat STDs</i>

The HIV/AIDS epidemic in Nepal is at a relatively early stage; however, it has the potential to grow rapidly. Several factors, such as high incidence of sexually transmitted diseases, a thriving commercial sex industry (especially along the border areas with India), and migration of commercial workers and laborers between Nepal and India create the conditions for the rapid spread of the disease. The risk behaviors of segments of Nepal's population and its geographical location and economic interdependence with India, classify Nepal as one of the Asian nations with a potential for rapid spread of the epidemic and an "area of affinity" for USAID.

Epidemiological modelling estimates the current number of people who are HIV positive in the population to be approximately 5,000. If no other person ever became infected with HIV (which is not possible), in the year 2000 there would be 2,000 new AIDS cases per year. This will have enormous social and economic consequences for Nepal, since it will impact most heavily on young adults, reduce economic productivity and per capita GNP, and overburden the already inadequate health care system and hospitals. HIV prevention is critical since the infection is irreversible.

Sexually transmitted diseases (STDs) are a major risk factor for HIV transmission; therefore diagnosis and treatment of these diseases in the population is a primary intervention to prevent HIV transmission.

Encouraging 100% condom use among persons at risk is another intervention. Given that there is no cure for HIV/AIDS, it is important that the situation in Nepal be addressed before it becomes a major cause of morbidity and mortality.

The newly-elected Government has accorded prevention of HIV/AIDS as a top priority. Its policy is to integrate prevention and control activities into public health programs and to work in collaboration with the non-governmental sector nationwide. All of the multilateral donors are channeling assistance to the public sector program. In addition, the American

Foundation for AIDS Research (AmFAR) has awarded 16 grants to indigenous NGOs to undertake HIV/AIDS prevention projects.

Unlike any other initiative under way in Nepal, USAID's strategy integrates proven HIV/AIDS prevention activities in a focused geographic area in 9 districts along Nepal's border areas and primary transportation routes in the terai and central regions. The strategy is being implemented by the private sector and NGOs, and utilizes the existing distribution network for social marketing of contraceptives. This partnership with local non-governmental and private sector organizations implements mutually reinforcing activities to strengthen the delivery of sexually-transmitted disease diagnosis and treatment services, promote and improve the distribution of condoms for disease prevention, and deliver interpersonal outreach education and communications to Nepal's population groups at highest risk -- commercial sex workers and their clients.

Performance indicators and targets are found in Annex A.

T.O. 3

Increased Democratic Decision-Making at the Local level

Problem With support from USAID since Nepal's transition to democracy in 1990, national-level democratic institutions, such as Parliament and the judiciary, have been established. Peaceful transfers of power have occurred with two general elections. A constitution has been adopted. Members of Parliament have been trained in parliamentary procedure. The support unit of the Parliament Secretariat has been trained in research techniques to provide improved services to members of Parliament. The judiciary has been strengthened with the installation of a tracking system for docketing cases.

Nepal's transition to democracy has now entered the consolidation stage. At this stage of democratic evolution, effective and sustained governance is more likely to occur in an environment of increasing political participation and accountability, and in an environment where groups previously uninvolved in democratic processes begin to exercise control over local resources and access greater social and economic opportunities. The challenge is to attach popular understanding and meaningful participation to the skeletal structure of formal democratic institutions and processes. For democracy to take root, those elements of society that have been disenfranchised must gain a voice in the control of public resources and political processes. Local governments must, in turn, become more responsive to constituent demands and interests.

However, despite the progress of institutionalizing democracy at the national level, Nepal lacks established democratic practices and widespread democratic norms and values at the grassroots level. Government is still dominated by old elites and a vast patronage system for the distribution of resources. Although basic cultural constraints to democracy will continue to inhibit full participation in democratic practices for years to come, opportunities do exist to instill democratic traditions at the grassroots level and to empower heretofore disenfranchised groups.

Since the advent of democracy, decentralization within ministries and to local governments has occurred. Locally-elected district and village development committees have gradually received more authority to retain property taxes, distribute block grants, and monitor development activities. Control over resources has been devolved to user groups, and NGOs have been allowed considerable freedom to work unfettered in the countryside. These important milestones in decentralization present excellent opportunities to assist with the practice of democracy at the grassroots level.

Program Approach USAID/Nepal proposes to focus its assistance on participation at the grassroots level through user groups and citizens associations, and by strengthening selected local-level elected governments. The implementation environment at the grassroots level has proven fertile for activities which emphasize: democratic group formation and function; participation by disadvantaged and low caste groups; advocacy by local groups; and responsiveness of elected officials to the needs and demands of constituents. The emphasis on strengthening local groups and local government supports the GON's stated policy on decentralization. However, we will also continue to involve central government institutions, such as the Parliament, where a clear bottom-up linkage is made to the improvement of project implementation.

The program approach is to provide of civic education, literacy classes and technical assistance to grassroots groups and local governments to instill democratic participation and responsibility. Such an approach of reaching out to grassroots groups is warranted in a country with low literacy, communication and transportation constraints, poverty, lack of 26 participatory political culture, and little commitment by political leaders to expand the power base.

In order to facilitate citizens' understanding and exercise of their rights under a democracy, interventions must be designed to capture their attention and address their interests in a tangible way. User groups and associations of local civic groups provide a sizable target population for imparting civic education and the practice of democratic decision-making through highly personalized technical assistance in the field by resident project staff. A pilot project works with user groups and related village development committees to examine the relationship between resource-based user groups and the formal political structure. On a larger scale, USAID-funded user groups in forestry and agriculture will also be encouraged to carry out their activities by democratic means. Advocacy skills of coalitions of grassroots groups and NGOs are being developed in order to strengthen the collective voice of this part of society, thus empowering them to raise their concerns and issues to a higher level of political representation. The organization of these groups into regional and national organizations will broaden their power and serve to effectively develop and articulate their views and demands.

To facilitate greater understanding and responsiveness by Members of Parliament (MPs) for the USAID-assisted development program at the grassroots level, the Mission will support periodic seminars with MPs which focus on a policy agenda of priority issues affecting

TO 3: Increased Democratic Decision-Making at the Local Level	
① number of advocacy groups participating to local governments ② number of proposals from local groups included on agendas of selected elected bodies ③ number of associations of groups formed	
PO 3.1: Increased Democratic Practices at the Local Level	
① number/percent increase in user groups functioning democratically -constitution/by-laws; -election of officers; -deliberation of issues in open meetings; -decision by majority votes; -publication of decisions ② local elected bodies functioning democratically (same as above) ③ local government budget and block grants approved in open meetings ④ coalitions/associations of local groups advocating to national level representatives	

project and program implementation and impact. For the Mid-Western region of Nepal, such an agenda would include key economic, legal and social sector concerns which are being generated by participants at the local level and by the results of the USAID field monitoring within a democratic participatory framework. Economic issues might include export and transport taxes which constrain the rapid export of high-value commodities, and major constraints related to rural financial intermediaries, particularly for women's groups. Access to family planning, health and education/literacy services, and high priority legal issues for women (such as inheritance laws) might form part of this policy agenda, and therefore reinforce S.O.3. Democracy issues would involve the participatory decision-making process and linkages among VDCs, DDCs and the Parliament. USAID is in the process of establishing a "bottom-up" policy planning agenda through community forestry work in the mid-west region. The approach will be expanded to cover broader issues listed above. The seminars could take place in Kathmandu and include MPs and appropriate GON policy makers; they will also take place at the field level to facilitate direct communication with rural populations. The Mission will follow-up as appropriate where opportunities for legislative and regulatory changes would benefit the grassroots orientation of the Mission's democracy program.

Thus, our strategy cuts across and underpins all USAID assistance to Nepal. The synergy of opportunity is at the local level. There, empowerment interacts with all our other programs. Participatory user groups have demonstrated their capacity to manage and make the natural resource base more productive. Producer groups increase the production and marketing of

high-value crops. User groups and civic associations practice democratic processes at the grassroots level. USAID encourages participation by women within all grassroots groups. Across all of our activities runs the theme of democratic participation, transparency and voice to the people. Our interventions are aimed at making grassroots groups "stakeholders" in the country's economic, political and social growth.

Program Outcome 1 **Increased Democratic Practices at the Local Level**

Through our programs, more Nepalis will participate in open meetings of user groups and elected local government committees. We will help them establish a constitution/bylaws, elect officers, deliberate issues in open meetings, decide by majority vote or consensus, and publish decisions. As user groups and civic associations become more democratic and thus more empowered, their influence on elected representatives will result in greater responsiveness from local government institutions and elected officials. Concomitant to interventions with local groups, elected local officials will have received intense training in democratic procedure and process, and will be more responsive to their duties and responsibilities as representatives. Meetings in which decisions about budget and grant allocations are made will be openly attended by constituents, who will have the opportunity to voice their opinions.

As groups gain experience and confidence using various democratic techniques, more participatory control will be exercised over the distribution of scarce resources. Citizens will realize that they have the right to demand services and representation from their government and elected officials, and will begin to exercise that right. Groups will coalesce into associations of special interest, and will receive training in advocacy skills. Local government will be one of the targets for petitions by these advocacy groups. As a result of this assistance, the targeted civil groups will be able to identify their common interests, understand their rights and responsibilities in the governance of these interests, and promote these interests by interacting with other similar organizations and decision makers.

Roads Not Taken USAID will gradually phase out direct support to the central democratic institutions of Parliament and the judiciary. The impact of project activities in these areas has been limited and has proven very difficult to measure. The problems with the judiciary in Nepal are deep-rooted and pervasive at all levels, from corruption of court clerks to lack of discipline among attorneys appearing before the bench. USAID has made some progress in supporting the research capability of the Supreme Court and in establishing a very effective computerized case tracking and management system. However, the problems with the judiciary are enormous and would require more resources than are available. In both areas mentioned above, the Danish government is continuing support similar to that initiated by USAID. They will also continue to strengthen the Election Commission, including provision of photo voter identification cards.

Key Assumptions

- The GON will remain committed to democracy.
- The new government will remain committed to decentralization and grassroots development.

Consultations Held Consultations were held with USAID grantees in democracy as well as other sectors with cross-cutting themes. USAID articulated its shift in strategic emphasis with the Donors in Democracy Committee, which precipitated discussions and similar shifts in other donor programs. Although there was no direct consultation with central government officials, the strategy was discussed informally with the Ministry of Local Development. At the field level, the strategy was discussed with district and village development committees in project areas.

Performance targets and indicators are found in Annex A.

PART III: The Action Plan (FY1995 - FY1997)

A. USAID NEPAL: FY1995-1997 PERIOD

Nepal's needs are many. Historically the USAID Mission responded to them whenever there were resources and a comparative advantage to do so. However, in an age characterized by declining USAID resources and an increasing emphasis on the need to show defined and significant impact, the Mission has sharpened its program focus and streamlined its program portfolio. The Mission has identified three principal areas that it believes will have the most impact on alleviating poverty in Nepal—increasing high-value agriculture, reducing the fertility rate, and empowering women.

An improved GON policy framework will greatly enhance the possibility to meet these objectives, although uncertainty as to where policy dialogue opportunities lie has resulted in placing policy as a Target of Opportunity. Additional discrete activities, STD/HIV prevention and control and democracy, will continue through the Action Plan period. Although they are not the main thrust of the program, they are Targets of Opportunity in which USAID can continue to show significant impact in Nepal.

There are a number of activities that the Mission expects to complete in the Action Plan period. Although these activities remain important, their continued support by USAID would impede the Mission's ability to concentrate its efforts to achieve more definitive results.

Strategic Objective 1

Sustainable Increase in Sales of High-Value Agricultural Products

Overview The USAID program during the Action Plan period builds upon past program impact and extends proven development models in high-value agricultural production and marketing, forestry and related natural resource management, and generation and extension of improved technologies. The strategic focus is based on USAID's sectoral comparative advantage in developing the models, demonstrating impact, and influencing supportive rural development policies. Geographic focus for Action Plan interventions will be in the Mid-Western Region and eleven irrigation systems across the terai.

The Action Plan complements recent GON policy initiatives which give increased management control of natural resources to local groups. These legislative changes established an enabling environment for economic growth and equitable income distribution. With increased control over resources, user groups are becoming the principal stakeholders for sustainable long-term resource management and production. In addition, since women make up the primary agricultural labor force and should be important economic decision-makers, USAID assistance to them under this Strategic Objective will have a wide spread impact.

During 1995-97, the Mission will close out three projects in the agricultural/forestry sector, Institute of Forestry Project, Forestry Development Project and the Rapti Development

Project. Assistance will be consolidated under the Sustainable Income and Rural Enterprise (SIRE) program in the areas of market development, natural resource management, agricultural research with an emphasis on high-value agricultural products, and irrigation for the management transfer of systems to water users. SIRE activities will channel greater assistance to private sector entities and local resource user groups. Through this program, the Mission will continue to influence policy at the central level.

Tactics Over the 1995-97 Action Plan Period, USAID will assist in: 1) expanding market participation in high-value agricultural products; 2) promoting continued sustainable resource management practices; and 3) increasing farmer access to new, improved scientific and management technologies to increase productivity of high-value agriculture.

1.1 Expanded Market Participation. Farmers must become active market participants in the cash economy. As a critical mass of farmers enter high-value markets, demand will drive the development of off-farm enterprises, many of which will provide marketing and agribusiness services. These are areas open particularly to women. This market growth will sustain income-earning capacities over the long-term.

USAID will expand the high-value crop production and marketing approach by deepening the coverage in the Rapti Zone and expanding the geographic coverage of the model to three additional districts in the Mid-Western region. This will be done by establishing an additional 200 producer associations during the Action Plan period. USAID will expand the model nationally through interactions with the World Bank-assisted National Agricultural Extension program and the high-value agriculture development programs implemented by German Aid (GTZ) in the central region and British Overseas Development Association (ODA) in the Eastern region. Assistance will also be focused on increasing Nepal's ability to penetrate regional markets for high-value agriculture. This will be done through support to the Agro-Enterprise Center (AEC) which assists in strengthening agribusinesses and commodity associations' capabilities for providing market support services. During the Action Plan period, USAID will address policy and other regulatory constraints to the expansion of high-value agriculture, such as reducing/eliminating export and transport taxes and the privatization of fertilizer production.

1.2 Sustainable Management of the Productive Resource Base. Improved farming practices to maintain the productive resource base need to be adopted—with a particular emphasis on farm-forest resource interactions and irrigation. USAID will support activities which increase participation of forest user groups in the management of forest resources and forest based microenterprises, and provide assistance in turning over publicly-controlled irrigation systems to private water users associations.

In Nepal, the vast majority of forest resources are controlled by the government. USAID will accelerate the rate of turnover of forest resources to users groups. USAID supported NGOs will form partnerships with community users groups and GON District Forest Officers for the extension of the technical assistance packages to: 1) develop legal documents for users group ownership of forest resources; 2) draft operations and management plans for the

use of forest resources; 3) raise women's income and facilitate increased participation of women in users group decision-making by making them literate and giving them access to credit; 4) create user group networks where lessons learned can be shared; 5) increase market linkages for forest products and develop forest-based micro-enterprises so that users groups, private farmers and forest product entrepreneurs can add value and receive higher profits from forest products; and 6) form an environment and forestry forum so that users groups, private farmers and forest product entrepreneurs can have a direct dialogue with policy makers on the implementation of forest policy at the local level. During the Action Plan period, the number of legalized community forest users groups will increase from 400 to 800.

In the irrigation sector, USAID will organize water users associations to assume control of currently public-managed systems in eleven systems in the terai. This will include organizing the associations, developing their operational and maintenance plans, and facilitating their transfer from the public sector. These activities are intended to institutionalize the irrigation management transfer model within Nepal's irrigation sector. Once completed USAID will end its assistance in this sector.

1.3 Increased Adoption of Improved Technologies for High-Value Crops. USAID will continue to support the principal public sector research institution with emphasis on high-value crops. During the Action Plan period, USAID assistance will move from broad institutional support to a narrower focus on high-value agriculture in key geographic areas. USAID will assist in decentralizing research planning and decision-making to the field research station level so that research can have greater relevance to area-specific problems. USAID will also assist in related reforms in budgeting, financial planning, and personnel management within the National Agriculture Research Council. This assistance will increase the number of improved crop varieties available to farmers and develop better agronomic production practices. To strengthen research outreach, USAID will provide technical assistance to develop more focused research strategies, and, through training programs, Nepali scientists' capacities for conducting research will be strengthened.

Other Donors (See Strategy, Part I, E)

Performance USAID has made substantial progress on all three program outcomes of Strategic Objective 1. Associations involved in high-value crop production have increased cash sales at 20% per annum over last five years, and average household incomes in production areas have increased approximately 40% during this period. There has been consistent growth in seed production in USAID-assisted areas with 35% of all seed produced and sold in Nepal coming from these areas. Apple production groups have marketed 170 metric tons of apples and 250 metric tons of oranges in 1994. USAID assistance has established privately supported high-value commodity market information dissemination points.

As a result of USAID assistance, approximately 50% (35,000 hectares) of all forest land transferred to user groups in Nepal has occurred in the Rapti Zone. The estimated annual

value of the biomass on these forest lands is \$7 million. USAID has made major contributions to formulating the Forestry Act and By-Laws and the Irrigation Act. As a result of the latter, there are now legally recognized water user associations established in 5 major irrigation systems covering 37,000 hectares and 27,000 farm households with an aggregate population of 150,000. The net incremental benefit to farm households following initial transfer to water user associations of 8,000 hectares in full-year cropping (rice/wheat) was \$900,000. Finally, USAID support to agricultural research has contributed to a 6-fold increase in wheat cultivation in the last 15 years.

Expected Impact Over the 1995-97 Action Plan period, production of high-value agriculture will increase from a current level of 55,000 metric tons to approximately 86,000 metric tons, an increase of more than 50% over current levels, resulting in a 100% increase in value of sales. The number of producers of high-value products will increase from a current baseline of 465,000 to approximately 730,000, or 55%. The number of traders active in high-value agriculture will increase from a current level of 13,000 to 28,000. It is estimated that increased production and income in high-value agriculture will stimulate a 20% increase in new off-farm enterprises.

Land managed by forest user groups will increase by 40,000 hectares, and cubic meters of biomass produced from forests will increase by 20%. Land managed by water user groups will increase by 10,000 hectares, while land managed by forest user groups will increase by 48,000 hectares.

The number of farmers using new seed varieties, fertilizer, and silviculture techniques will increase by 30%, while the land under production using these new methods will increase by 50%.

Resource Needs To implement this Strategic Objective the Mission requires at least \$5 million in both FY1996 and FY1997. Assuming the earmarking process continues, the environmental earmarks will be able to support resource management and biodiversity activities. However the balance will have to come from economic growth funding. Present staffing is sufficient to support Strategic Objective activities.

Strategic Objective 2

Reduce Fertility and Improve Maternal and Child Health

Overview Over the next two to three years, USAID will continue to focus on expanding the availability, quality and use of family planning services. In coordination with other donors, USAID will work in both the public and private sectors to increase the availability and quality of family planning services provided through a variety of outlets, including Ministry of Health facilities, NGOs, private practitioners and retail stores. This will include support for activities to improve the contraceptive supply and logistics systems, the clinical skills and counselling training of service providers (from physicians to grassroots FCHVs), and the availability of accurate information, education, and communication materials.

In maternal and child health, USAID will target assistance in control of diarrheal diseases, acute respiratory infections and vitamin A deficiency. Activities will focus on assisting the Ministry of Health to develop or strengthen national policies, guidelines, training materials, logistics and supply systems, and monitoring and supervision systems for these programs. At the same time, USAID will continue to support the FCHVs and selected NGOs who implement these and other maternal and child health activities at the grassroots level.

Tactics USAID will increase the use of contraceptives, improve the quality of family planning services, and increase the use of selected maternal and child health services.

2.1 Increased Use of Family Planning Services. USAID will increase the availability of family planning services through expanding the supply of services in both the public and private sectors. USAID will be working closely with the Ministry of Health (MOH), UNFPA, USAID cooperating agencies and contractors, a local social marketing company, private practitioners, and U.S.-based and local NGOs.

In the public sector, USAID will support the establishment of year-round family planning and reproductive health services (including voluntary surgical contraception) through the provision of training, equipment, supplies, and renovation of service facilities in up to 21 priority districts. In collaboration with the German Aid Agency (GTZ) and UNFPA, USAID will help strengthen the national integrated logistics management system, including procurement, warehousing and distribution, and will, with UNFPA, provide contraceptive supplies. Through support for the FCHV program, USAID (in conjunction with UNICEF and UNFPA) will extend access to family planning information and services to communities.

In the private sector, USAID will encourage and support NGOs, private medical practitioners, and contraceptive social marketing. USAID will support 6 to 8 indigenous and international NGOs to improve availability and quality of family planning and maternal and child health services in unserved or under-served areas of at least 25 districts, primarily through community-based services and mobile outreach. USAID will extend the Kathmandu-based private physicians program to 7 other urban areas. USAID will also continue support to the Contraceptive Retail Sales (CRS) Company to expand its overall market share and increase sales of contraceptives including condoms, oral pills and injectables.

2.2 Increased Quality of Family Planning Services. Working closely with the MOH, UNFPA, and USAID cooperating agencies, USAID will support the design and implementation of comprehensive pre-service and in-service family planning and reproductive health training programs for physicians, nurses and paramedics. USAID, in cooperation with UNFPA, will also support the design and implementation of in-service training in counselling and interpersonal communication skills for nurses, paramedics and grassroots level outreach workers and the development and distribution of information, education and communication materials for both providers and clients.

2.3 Increased Use of Selected Maternal and Child Health Services. USAID's program focuses on maternal and child health interventions which have proven to be effective in addressing major causes of under-five morbidity and mortality in Nepal. USAID is providing technical assistance and other support to the Ministry of Health for the control of diarrheal diseases (CDD), acute respiratory infections (ARI), vitamin A and the FCHV and traditional birth attendants programs.

In CDD, ARI and vitamin A, USAID is currently providing technical assistance for developing or strengthening these programs at the national and district levels. Once systems and policies are put in place in 1995-96, USAID will focus less on support to these programs at the central level and more on monitoring the implementation of these child health interventions at the grassroots level through the FCHVs.

Working with the MOH, UNICEF, USAID contractors and cooperating agencies and NGOs, USAID will support the following activities:

- **Diarrheal Diseases:** In conjunction with UNICEF, USAID will provide technical assistance and program support to increase utilization of Oral Rehydration Solution (ORS) to treat dehydration from diarrheal diseases. Efforts include development of national and district program plans, improvement of supervision and logistics supply systems, and ORS training for health post staff and FCHVs.
- **Acute Respiratory Infections:** USAID and UNICEF will support efforts to improve diagnosis and treatment of ARI in MOH facilities, and, on a pilot basis in two districts, to engage Village Health Workers and FCHVs in delivering ARI case management services. USAID will also support efforts to create and maintain the necessary training, supervision, and logistics supply systems for appropriate ARI case management.
- **Vitamin A:** Nepal-based research has supported worldwide findings that vitamin A supplementation has a significant effect on reducing infant and child mortality. In Nepal this reduction has been documented to be 30%. USAID, in collaboration with UNICEF, will support the MOH's five-year plan which focuses on twice-yearly distribution of vitamin A capsules to children aged 6 to 60 months in 32 priority districts. With 6 to 8 NGOs, USAID will support longer-term strategies to reduce vitamin A deficiency (i.e., modifying food habits, promoting kitchen gardens and maternal literacy).

All of these activities are implemented at the grassroots level through the FCHV Program, which represents a national network of over 32,000 unpaid village women selected by their communities and trained by the MOH. FCHVs play a key role in delivering birth maternal and child health and family planning services through the Mother's Groups organized in their assigned areas. They assist clients in obtaining services; serve as a source of supply for oral contraceptive pills, condoms, Oral Rehydration Solution (ORS), and Safe Home Delivery Kits; distribute twice-yearly vitamin A capsules in the vitamin A priority districts; and in the future will train mothers to diagnose potentially serious respiratory infections and refer cases for treatment. They also help to form many literacy classes for women in their communities.

To enable the FCHVs to do these tasks effectively, USAID is providing technical support to assist the MOH in introducing a competency-based training curricula and methodology, strengthening supervision and logistical support systems, and establishing stronger links to the health posts. USAID will continue to support FCHV basic and refresher training in the nineteen districts of the Central Region and to work with other donors to identify and implement sustainable strategies for supporting FCHVs, such as post-literacy training, home gardening and other initiatives.

In maternal health, USAID will support the training of Traditional Birth Attendants in the Central Region in order to improve their ability to assist with safe deliveries and motivate couples to use family planning services.

Other Donors (See Strategy, Part I, E)

Performance From 1976-92, the contraceptive prevalence rate increased from 3% to 24% and the total fertility rate decreased from 6.3 to 5.6. During the same period, the awareness of contraceptive methods increased from 21% to 93% and the number of desired children declined from 4 to 3.2.

The availability and use of a wider range of contraceptive methods in Nepal has improved considerably. In the mid-1980s, sterilization accounted for approximately 60% of contraception used in Nepal and in many places was the only method available. While the demand for sterilization services remains high, the increased availability of temporary methods has brought new users to family planning who are interested in spacing, rather than limiting, their pregnancies. This has contributed to the overall increase in contraceptive use. Currently, temporary methods account for approximately 75% of all methods used.

Availability of a wider range of contraceptive methods also contributes to improving the quality of family planning services by enabling clients to make informed and voluntary decisions about which method is best for them. Private sector availability of contraceptives has also increased. The USAID-supported Contraceptive Retail Sales Company (CRS) has 30% of the market share for condoms and 40% of the market for oral contraceptive pills which are sold through a network of 8,000 general retail outlets and 3,300 medical store outlets nationwide. In September 1994, CRS launched, on a pilot basis, the sale of the injectable contraceptive through medical stores in the Kathmandu valley.

In the area of infant mortality, progress is equally impressive. From an estimate of 197 per 1,000 live births in the 1950's, infant mortality decreased to the current rate (1992) of 102 per 1,000 live births. In the area of acute respiratory infections (ARI), USAID-supported research in Nepal has proven that early case detection and treatment can dramatically impact on under five mortality. USAID subsequently played the lead role in drafting and finalizing a national ARI policy, technical guidelines and program strategy.

Landmark USAID-funded research conducted in Nepal in vitamin A deficiency has been critical to establishing the link between vitamin A status and improved child health and survival. In Nepal, it resulted in a commitment by the government to implement a national

vitamin A program, supported by USAID, in 32 priority districts to prevent vitamin A deficiency through community-based prophylactic capsule distribution, nutrition education to improve dietary practices, and increased production of vitamin A-rich foods. An estimated 90% of children aged 6-60 months in 20 districts now receive vitamin A supplements. An estimated 13,000 child deaths were averted in the first 2 years of the capsule distribution program which was initiated in April 1993.

The incidence of malaria decreased from 2 million cases per year in the 1950's to about 13,000 cases by 1994 with significant input from USAID to bring about the control of this disease. As of the end of FY1995, the Mission's assistance to the malaria control program will be completed.

Expected Impact Achievement of the Program Outcomes will require close collaboration between the Government, USAID, and other donors. By July 1997, it is expected that the total fertility rate will have decreased to 5.0 and the contraceptive prevalence rate will have increased to 31.5%; both permanent contraception and temporary birth spacing methods will be available year-round in at least 21 high-density population districts; a series of national family planning and reproductive health training curricula and programs, offering both pre-service and in-service training, will be in place; service delivery will be supported by an Information, Education, and Communication program that ensures that both providers and clients are well-informed about the family planning options available and a counselling training program to improve the communication skills of providers; a functioning, integrated, logistics management system will be in place in all 75 districts; and access to services will have increased through a strengthened network of NGOs, private practitioners, and retail outlets. It is also expected that knowledge, correct use and access to oral rehydration therapy will have increased dramatically, a national ARI policy and program will be in place, and vitamin A deficiency of children in 32 districts will be virtually eliminated.

Resource Needs To implement this Strategic Objective in FY1996, the Mission will require approximately \$4.5 million in bilateral funds and \$8 million in Global Population Health, Nutrition Field Support, which includes \$2.5 million for contraceptive supplies. In November 1996 the Mission will do a second joint programming planning exercise with the Global Center for Population, Health and Nutrition to develop the follow-on results package to the Child Survival/Family Planning Services activity which will end July 1997. The new results package will define the activities and the resources required from bilateral and Global Field Support funds. The Mission expects the FY1997 level of support to remain at approximately the same level as for FY1996.

Strategic Objective 3 **Empowerment of Women**

Overview The Mission has supported a number of activities targeted at women since sponsoring a landmark research effort on their status in 1983. Much of this support has been through existing bilateral projects in which USAID set quotas for female participants and

provided literacy training. At the same time, USAID gave a number of NGO grants for women's legal and economic empowerment and for support of women's participation in community development. In late FY1994 USAID/Nepal launched a major female literacy activity. The democracy support activities assisted women through providing legal literacy, rights awareness and advocacy. All of these efforts were aimed at a single goal, to empower women and increase their status in a society in which they are the most marginalized group. It has only been within the past three months that bringing the cluster of these activities into a more coherent and synergistic program has been envisioned.

Tactics USAID Nepal will increase women's literacy, improve the legal environment for women and strengthen their economic opportunities.

3.1 Increased Women's Literacy. Working with Private Agencies Cooperating Together (PACT) and World Education International (WEI), USAID will over the next three years train a minimum of 450,000 women. PACT utilizes local NGOs to implement training through a sub-granting system. WEI works with the Ministry of Education, Social Welfare and Culture to assist its Non-Formal Education Council and selected District Education Officers to administer literacy classes through government block grants. Sixty-eight of Nepal's 75 districts have USAID funded literacy training classes. USAID intends to use the centrally funded Girls Education Initiative to do baseline and comparative research on female literacy and its development implications over the planning period.

3.2 Improved Legal Environment for Women. USAID/Nepal will draw upon local NGOs working in legal rights to offer legal services to women, improve their knowledge of legal rights and to encourage the formation of advocacy groups and work for the recision of the existing property law which restricts women from inheriting property or passing it on to their daughters.

3.3 Strengthened Women's Economic Participation. Currently women are inhibited from starting microenterprises or expanding existing businesses by the inability to access credit because they lack collateral. This problem relates, in part, to the restrictive nature of the inheritance laws mentioned above. Since women find it difficult to access the formal banking sector, USAID will assist in the establishment of Grameen-type banks to expand their credit opportunities. Women who own businesses already rarely have access to technical assistance through which they might improve the quality of their products, find better markets or improve their management capabilities. USAID will make available technical, market and management assistance through a network of women entrepreneurs and NGOs.

Other Donors (See Strategy, Part I, E)

Performance USAID/Nepal's target for literacy training in the first year of programming was 130,000 women. Demand, and the ability of the implementing NGOs to respond, has

more than doubled the number of women in training in the first 6 months of project life. As a result, USAID has decided to add funding and extend the project by 2 years.

Good performance in legal services and advocacy thus far is supported by anecdotal information; the program is very small and is still considered a pilot. Baseline data and a solid set of indicators should help the Mission gauge performance when the activity is evaluated in July 1995.

Women's business development was supported over the past year through the lending program to 1500 loans at a value of 3 million rupees. The Grameen-style banking system begun 1 year ago; the repayment rate thus far is 100%.

Expected Impact Over the Action Plan period, at least 450,000 women will become literate (given early performance, we may surpass the target by at least 25%). These women will work more effectively within development activities, are more likely to send their children to school and to seek better health care for their children and have a basic understanding of better nutrition, hygiene and family planning. Women in USAID project funded areas will understand their legal rights and 10 women's advocacy groups will be supported to lobby for the repeal of the inheritance law and for further representation of women and women's rights at the local and national government levels. Women will be accessing credit through Grameen style banks and creating or expanding businesses to such a degree that four hundred new jobs will result.

The USAID-assisted Women's Entrepreneurs Association of Nepal (WEAN) will have provided credit and technical assistance package to women in rural areas who wish to set up businesses. The Association will be totally independent of all donor funding in four years and will be assisting women in five different geographical locations.

Resources Needed For the women's literacy classes to perform at the expected rate, USAID will need a level of funding of at least \$1.5 million dollars per year. The rescission of the inheritance law calls for top level pressure from our Embassy, other donors and advocacy groups. Under the 5% budget increase scenario, legal activities by advocacy groups will be expanded to include interventions with political parties at the national level to effect greater participation and leadership by women. The ability to affect women's access to credit and business will require at least \$800,000 per year in USAID funding. In terms of human resources, the Mission is currently without a WID Officer. It has been suggested in the Program Requirements section of this document that a General Development Officer position be created to lead the results package team for the Empowerment of Women S.O.

TARGETS OF OPPORTUNITY

Target of Opportunity 1

Creation of a Policy Environment More Conducive to Economic Growth

Overview With the return of a democratic government in 1991, progress was made in economic liberalization. The minority Communist Government, elected in November 1994, has officially recognized that liberalization is necessary. The Minister of Finance stated on April 7, 1995, that "...basically industries, trade and commerce, and agriculture should be run by the private sector." The new government has also indicated its appreciation of USAID's leading role in the area of economic policy reform and its desire to work with us in this area. It will not be until the July budget speech, the traditional time for announcing the Government's economic program for the future, before we will have a clearer view of government intentions in this area.

Tactics USAID works with the Member of the National Planning Commission responsible for macroeconomic policy, the Governor of the Central Bank, and the chief economist at the Ministry of Finance to convince these decision makers that liberalization is in the interests of Nepal. We do not link reform to grants, but seek to assist through technical assistance and training. We are working closely with other donors, especially multilateral financial institutions.

Other Donors (See Strategy, Part I, E)

Performance Nine national enterprises were privatized, all resulting in increases in production, increased employment and decreased corruption. There were increases in government tax revenue as the firms invested in new capacity and increased their profits. No two firms have been sold to the same family and all have been required to have at least 30% of their shares sold to the public or their employees.

New financial institutions resulted in an explosion of new ways of securing capital, but initially only in Kathmandu. Gradually, new institutions have been set up in secondary towns. Grameen-style banks became possible and this new way of providing credit to rural women has taken off. These banks would not have been possible without the policy assistance provided by USAID. Lending rates at banks have reduced due to the increased competition. USAID also assisted in the development of a new stock exchange which became one of the fastest growing in Asia, although still very small. The result was the creation of new firms with previously unavailable long term capital. At least 500 jobs were created that would not have been possible using traditional sources and bank credit.

The tourist industry estimates that, as a result of USAID assistance in eliminating the domestic monopoly of the national airlines, at least 300,000 additional tourist days were made possible last year for an increase of 15%.

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The elimination of foreign exchange controls resulted in a 21% increase in foreign exchange holdings in Nepal, as there was less reason to maintain illegal foreign accounts. This made it easier to import and expand business. The simplification of licensing and registration increased the rate of growth of new formal sector small and microenterprises by over five fold (from 8% annual growth to 40%).

The overall results of liberalization are easy to see. In 1993/94 the economy had the best real growth (7.8%) in 15 years, and the modern sector had its best year ever. The growth was strong in every sector (for example in construction, financial services, trade, services, manufacturing), with most at record levels. Agriculture had its best year in since 1981 (7.7% growth). This was partly because of liberalized access to raw material inputs and simplified marketing. Preliminary results for 1994/95 indicate continued rapid growth of nearly 9% in the modern sector. The poor 1994 monsoon led to no real growth in crop production this year; high-value commodity growth remains strong.

Policy Dialogue Agenda The Mission believes the policy reforms achieved in recent years have resulted in a policy environment that is at least adequate to achieving the Strategic Objectives. However there are a number of policy areas the Mission would like to pursue, should circumstances permit, that would greatly enhance our probability of succeeding, particularly in increasing rural incomes.

1. Tax Reform: Nepal has the sixth lowest tax effort index in the world and is the seventh most dependant on foreign assistance to finance government development activities. The existing tax system is neither transparent, predictable, codified, simple, elastic or pro-development. All major taxes are negotiated in private between the tax payer and the tax assessor. USAID has already helped with simplifying customs, sales and excise duties, but considerable work is still necessary to allow government to have the resources to reduce dependency on donors, and to fund health, educational and agricultural programs. The large increases the last two years in customs and sales tax were attributed to the simplification and lowering of the rates which made evasion less worthwhile.

2. Elimination of Government Monopolies: State enterprises strongly influence sugar refining, tea and jute processing, the provision of fertilizers and agricultural tools, and the marketing of many "essentials." The result has discouraged the movement to such high-value cash crops as tea, jute and sugar. The state-owned Agricultural Inputs Corporation has failed to deliver the correct fertilizers at the correct time for three of the last four years. Scandals relating to improper tendering or above market prices, have been alleged every year. At the same time government subsidies to other state enterprises, like cement and brick making, have reduced funds available for development programs.

USAID has already worked with the GON on understanding the potential for build-own-transfer (BOT) type activities. The main interest of the previous government in BOT was in hydro-electricity development, but the potential for greater use in infrastructure development was explored. The new government has recently re-constituted the BOT Committee, with USAID, to develop legislation and implementation guidance.

3. Registration/Licensing: USAID's assistance to the simplification of the process of establishing a business has resulted in a near tripling of the number of small and micro businesses registered in the last two years. Allowing these enterprises to "go legit" increases their access to support programs and credit. Recently, the simplification process was reversed as the Company Registrar has insisted on additional information, not required in the original regulations. Consequently, the number of new firms being established has slowed.

Resource Needs The resources needed depends on which items the new Government is willing to emphasize and the nature of its commitment to change. We estimate the total cost of developing a VAT and reforming other taxes so they are complimentary at \$2 million. The pipeline allows USAID to put in around \$500,000. Our hope is that the Government decides to proceed with a Value Added Tax for implementation in late 1996. If this is correct then we will need \$1 million in new resources in FY1996, and another \$500,000 in FY1997. However, USAID's current expectation is that the government will opt for less significant tax changes (improving the sales, excise and customs duties in preparation for a VAT) and thus the level of resource needs is more likely to be around \$500,000 in FY1996, with similar amounts in FY1997 and FY1998.

Unless the Government increases its commitment to privatization much more than expected, USAID has sufficient resources for expected work in FY1996. Financial sector reform work has been funded through existing contracts. No additional resources are needed.

Target of Opportunity 2

Increased STD/HIV Prevention and Control Practices by High Risk Groups in Targeted Areas

Overview USAID and the Global Bureau through its AIDS Prevention and Control (AIDSCAP) program have developed a strategy that integrates critical, mutually reinforcing prevention activities in a focused geographic area in nine districts along the border areas and primary transportation routes in the terai and central regions.

Tactics The program is being implemented by the private/NGO sector and will: 1) increase the quality and accessibility of STD diagnosis and treatment services; 2) promote condom use through increasing availability at retail and nontraditional outlets and through mass media campaigns; and 3) provide outreach communication programs to commercial sex workers and their clients.

Other Donors (See Strategy, Part I, E)

Performance Implementation of AIDSCAP activities only began in late 1993.

USAID/AIDSCAP's strategy integrates proven interventions to reduce HIV/STD transmission in a focused geographical area, utilizing private sector organizations and the existing social marketing of contraceptives distribution network. A baseline survey of the STD/HIV/AIDS knowledge, attitudes and practices of the AIDSCAP target population groups in nine districts has been completed, as has a survey of pharmacists' STD medication dispensing and condom promotion practices. This baseline will allow AIDSCAP to evaluate the impact the integrated prevention activities have on getting high risk groups to use condoms and seek STD diagnosis and treatment services.

HIV/AIDS and other STD messages are being incorporated into the ongoing activities of the Contraceptive Retail Sales Company (CRS). Through a social marketing program CRS has strengthened its condom distribution systems and expanded the marketing of condoms beyond the traditional outlets of pharmacies and medical shops to nontraditional commercial outlets including tea shops, hotels, bars, barber shops, beauty salons, and general goods and specialty shops. By working through the private/NGO sector, USAID/AIDSCAP have been able to develop and test innovative approaches to delivering STD/HIV prevention services. Also, because of the geographic focus of the activities and the establishment of a baseline, we will be positioned to evaluate the interventions and show results.

Expected Impact The AIDSCAP intervention activities will be evaluated in 1996, prior to the current September 1996 PACD of the global AIDSCAP program. At that time we will be in a position to evaluate if the innovative approaches tried were successful and to determine the next phase of assistance in this area.

Resource Needs For the Mission to continue working in this area of opportunity after September 1996, we would require that G/PHN/HN either extend the current AIDSCAP program, or have a new field support program in place. The current three-year AIDSCAP program in Nepal (August 1993 to September 1996) requires approximately \$1.8 million. It is anticipated that a follow-on activity would require approximately \$600,000 per year. The Mission would propose this be supported directly from a field support agreement with the follow-on G/PHN/HN AIDSCAP program. Any ANE regional resources would also be best utilized through the Global Field Support Program.

Target of Opportunity 3

Increased Democratic Decision-Making at the Local Level

Overview Until 1990, Nepal was ruled by monarchs, dynastic autocrats, and palace appointees functioning as local government officials. Power has traditionally been centered in Kathmandu, and the resources of the country systematically exploited by the political and economic elite. There had been virtually no expansion of the power base until the transition to multi-party democracy five years ago. In some cases there is still no expansion of the power base, as many of those elected to Parliament are heirs to the former autocratic system and continue to secure their political influence and economic affluence. However, there has

been a commitment by the newly democratic GON to devolve authority to local elected bodies at the district and village levels, and to liberalize the operational environment of NGOs and resource user groups.

At the local level, most resource distribution and political control are still in the hands of political entities--the difference is that these entities are now elected and are beginning to become more responsive and representative under their democratic form of government. Block grants from the central government are distributed through these elected district and village development committees; 90 percent of local property taxes are now retained by the district development committees and expended locally; district and village development committees are beginning to adhere to the bylaws and democratic criteria of the recently-enacted Local Government Act; an increasing number of registered user groups are now owning and managing resources (such as water, forests and irrigation) formerly controlled and exploited by the government; and local NGOs and advocacy groups are now enjoying an enabling environment conducive to participation in political decision making.

Local elected governments, grassroots user groups and advocacy NGOs are now in position to respond favorably and enthusiastically as participants in the democratic process. There is realization at the local level that democracy brings with it the opportunity for equal participation in decision making that affects the quality of life. Citizens are beginning to discover the power of the vote, and elected officials are beginning to discover the need to be responsive and representative of constituent interests. More than at any other time in Nepal's history, the political environment at the local level is favorable to widespread and effective democratic decision making by historically disenfranchised citizens.

Tactics USAID's strategy focuses on disenfranchised groups in rural areas to empower them to become stakeholders in the decision-making process for resource allocation, and to make them successful advocates for their collective interests to higher levels of representative government. Interventions with local elected bodies will result in more responsive and democratically-functioning local government. USAID will offer training services and technical assistance to local civic groups to educate them on their rights and responsibilities. Coalitions and associations of local groups will be formed to advocate and petition national representatives on behalf of their collective interests. It is envisioned that as a result of this assistance the targeted organizations will be able to organize around their common interests; understand their rights and responsibilities in the governance of these interests; and promote these interests by effectively interacting with the relevant decision-makers. Training and technical assistance services will be offered to local governments, to train local officials on how to interact and become responsive to their constituents' needs and demands. Encouragement of democratic practices at the local level will foster a more accessible, transparent and participatory political system, critical for the achievement of sustainable development.

Over the period of the FY1995-FY1997 Action Plan, USAID will focus on implementation of activities in 25 representative districts (one-third of the country) to achieve the program outcome described below.

3.1 Increased Democratic Practices at the Local Level.

Interventions will directly assist in the establishment of effective local governance, in the rural areas, with broad-based participation of disadvantaged under-represented grassroots groups. These groups represent interests or address issues which cannot be addressed singularly by citizens. Although the interventions will focus initially on strengthening local civic and user groups, as the groups achieve empowerment and responsiveness, associations of groups and coalitions of interests will be developed so that local needs and demands are advocated at the higher levels of national representatives.

Grassroots groups, such as resource user associations, and village development committees will receive technical assistance and training services to ensure that they have formed and are functioning according to the democratic criteria of a constitution/bylaws; election of officers; deliberation of issues in open meetings; decision by majority vote; and publication of decisions. Assistance will also be provided in organizational and advocacy skills to assist the groups to not only identify their common interests but also to promote these interests by effectively interacting with the appropriate decision-makers. The local elected bodies will receive technical assistance and training to assist them in transparency, accountability and responsiveness, both between and within the respective entities.

Other Donors (See Strategy, Part I, E)

Performance Performance data available as of this writing are in the form of anecdotes delineated below. The major implementing mechanism for the local governance activity experienced start-up problems in contracting and in the selection of a chief of party. Despite initial delays, performance baseline has been collected, solid indicators are in place and an evaluation is scheduled for October 1995.

There has been a rapid increase in the number of user groups formed as a result of project interventions. These groups which manage such resources as irrigation systems, forests, credit, water, etc., are functioning democratically and members are beginning to attend meetings of the local elected bodies in order to express their opinions. As a result of project input, the local elected bodies are now conducting open meetings. For the first time, these political bodies are including on the agenda issues proposed by the empowered user groups. In one project village development committee (VDC) settlement, women who had formed a credit user group approached the committee and petitioned for a grant to construct their own biogas site. User groups are thus practicing democracy by becoming actively involved in the process of political decision-making over resources that directly affect their lives.

Expected Impact Over the planning period of FY1995 to 1997, approximately 20,000 more men and women will participate in the democratic process, meaning informed decision-

making, active membership in democratic civic and user groups, and advocacy for change in their own interest. Elected local government officials from approximately 100 local government bodies will be more responsive to the needs and demands of its citizens who are now actively taking part in the democratic process. Formerly sensitive issues, such as budgets and block grant allocation, will be discussed and debated in open meetings by local government constituents. Lessons learned in the Democratic Institutions Strengthening Project will be transferred to the larger target population of our group.

Resource Needs The Democratic Institutions Strengthening Project, with a LOP of \$5 million, will end on December 31, 1997. It is anticipated that this project will be extended and expanded to replicate the successful project models developed through implementation by the primary grantees, The Asia Foundation and Clark Atlanta University. Project interventions will be geographically expanded to obtain a representative impact across the country, with an anticipated request for \$3 million and a PACD of December 31, 2000.

B. ACTIVITIES TO BE COMPLETED DURING THE ACTION PLAN

To achieve a focused strategy in line with declining resource levels, the Mission has identified areas that it will complete during the Action Plan period. In most cases we will have achieved what we set out to do. In some instances there are other actors involved (other donors or the private sector) who can continue support in that area.

1. Hydroenergy The current work within the Private Electricity activity of the Sustainable Income and Rural Enterprise program (SIRE) assists the GON's Ministry of Water Resources and the private sector to establish private investment in small-to-medium hydropower projects. Short-term technical assistance and training addresses the major market and institutional obstacles to the private financing of hydropower projects. USAID coordinates with Canadian International Development Agency (CIDA) funded assistance which is focused on the Ministry's technical and financial pre-feasibility studies of potential hydroenergy projects.

USAID's assistance in this sector has contributed to recent project agreements signed with private consortiums for the Khimti (60 Megawatt) and the Bhote Khosi (35 Megawatt) projects. In the next two years the Mission expects two additional privately-funded project agreements to be completed which in total (4 projects) will add approximately 165MW to a current national energy generation capacity of 240MW. Also, by mid-1997 the Electricity Development Center of the Ministry of Water Resources will have significantly improved capacity for negotiating future project agreements with international energy development firms. USAID assistance in this sector is fully funded. Because this activity is not seen as directly linked to the achievement of our proposed three Strategic Objectives, we do not propose to fund activities in this sector beyond mid-1997.

2. Electric Vehicles The current grant to the Global Resources Institute of Eugene, Oregon, provides a modest level of funding (\$347,000) to test the latest U.S. technology for

electric vehicles in Kathmandu. This grant will convert 10 diesel tempos to electricity (an additional 20 electric vehicles are to be financed by private sources) and create a battery exchange facility in Kathmandu. USAID funds will also be used to complete an economic/financial analysis of comparative costs of the test vehicles with existing diesel vehicles. All activities are coordinated through an Electric Vehicle Steering Committee with public and private members. This demonstration activity has been funded by US-AEP. The USAID grant will be completed by the end of 1996 when successful testing of the technology is expected to result in complete financing by the private sector.

3. Dairy The dairy program is working with approximately 200 privately owned and operated Milk Producer Associations (MPAs) and private dairies in addition to providing support to the GON for studies and analyses for rationalizing the role of the Dairy Development Corporation (DDC). Efforts for the past two years directed at the DDC have supported the larger resources of DANIDA to undertake the analyses and studies required for the privatization of the DDC. The GON has not agreed to the privatization option for the DDC and its future remains in limbo. USAID resources (largely jointly-owned PL480 Title II proceeds) focused on the MPAs and private dairies are sufficient for approximately two additional years of work. The Mission plans to complete this set of activities and to phase out of the dairy sector by mid-1997.

4. Forest Development Project (FDP) FDP is a six year forest policy project with a PACD of August 30, 1995. This project is now phasing down and will not be extended. FDP has some notable accomplishments as it coincided with Nepal's transition from a monarchy to a democracy. This enabled FDP to provide crucial support in policy analysis to the Ministry of Forestry during this period when significant policy reforms in forestry were taking place. The Forest Act of 1993 and the Forest Rules of 1995 are examples of highly progressive pieces of policy reform legislation that devolve significant authority and forest resource ownership to local communities. FDP played a major role in the development and passage of this legislation. USAID will remain involved in the implementation of policy reforms at the "grassroots" level with its new forestry activities under the SIRE Program. Linkages with the central ministry and political leaders will be maintained so that lessons learned at the local level will factor into central level decision-making.

5. Institute of Forestry Project (IOFP) The IOF Project is five year project that will phase out with a PACD of July 1, 1995. IOFP has had a significant impact on the development of Nepal's only major educational program in forestry. The project has provided the means for 38 faculty members to achieve Masters level educations in Asia and in the United States. The project and the Institute have had a significant impact on the development of community and private forestry in Nepal. Today, approximately 70% of Nepal's 75 District Forest Officers are IOF graduates. Their extensive training in participatory, people oriented approaches to forestry has enhanced the implementation of community forestry program in Nepal.

6. Urban Environment/Water Issues During the course of the past 2 years, 4 proposals within the umbrella of potential US-AEP funding have been submitted to the Mission. The Mission has not approved any activities, in part waiting until the Mission's overall strategy was clarified. Given the number of donors already involved in Kathmandu-based environmental issues and the nature of the institutional constraints (public sector/municipality), the USAID Mission does not have the managerial resources to become involved in this sector.

7. Assistance to Bonded Labor (Tharus) Although statutes and the constitution explicitly prohibit bonded labor, there is little enforcement by the GON and bonded labor continues. This project will assist to effect the conversion of bonded laborers to wage laborers through political, economic and social rehabilitation, through enforcement of the law which expressly prohibits indenture, and through empowerment of bonded laborers to advocate to national level representatives on their behalf. Before the close-out of this activity, it is expected that bonded laborers in Kailali and Kanchanpur Districts in far-western Nepal will convert to wage labor as a result of economic and social rehabilitation that will allow them to seek off-farm work or assert to the landlord their right to not be bonded. Landlords who have received civic awareness and legal literacy training will recognize their duty as citizens to adhere to the law and convert their bonded laborers to wages. As an added incentive to landlords, the economic viability of wage versus bonded labor will have been demonstrated. USAID will phase out of this area with the expiration of the project cooperative agreement, scheduled for September 1997.

8. Formation of a Human Rights Commission This activity is a major step in the GON's commitment to eliminate violations of human rights in Nepal. By the close-out of this activity in October 1996, the Mission expects that the Human Rights Commission will be formed by a special Act of Parliament. The Commission will be more than an advisory body, as it will be able to adjudicate human rights violations and impose sentences, even on government agencies.

9. Media Support This activity is implemented through the Nepal Press Institute by The Asia Foundation. It addresses some of the constraints to communication of: geography, poverty, low literacy and no private radio or television. Although there will be a 30% increase in circulation of rural community newspapers sold in three districts by the end of this activity, the impact is minimal. Because of the multiple local languages in Nepal, a major expansion of this project is necessary in order to achieve an increased flow of information through more rural newspapers. It is difficult to develop indicators that accurately reflect the measurable impact of improved or expanded media services, particularly in rural areas. For the reasons cited above, and because limited resources preclude expansion of this worthwhile activity to a level that will achieve significant results, USAID will reluctantly phase out of this area with the expiration of the project grant, scheduled for April 1996.

10. Support to Parliament Support to Parliament, including the Secretariat, Members of Parliament, and the committee system, was significant during initial transition to democracy. At that time, the democratic institutions at the central level were being formed, and there was a great need for technical assistance, training, and observation tours to other parliaments. By the close-out of this activity, we expect to see Parliamentary proceedings reported and distributed within the same session, and 12 research reports written and distributed to all members of Parliament. Other donors, notably the Danish government, which has taken the lead in funding the national institutions, will continue its program support to Parliament and the Secretariat. USAID's interventions with central level institutions, notably the Parliament Secretariat, have not been highly successful. Impact has been difficult to measure, and commitment by the institutions and the beneficiaries has been low. This assessment is corroborated by The Asia Foundation. However, The Asia Foundation has indicated that it might be prepared to tap into its "general grant funds" (discretionary, non-USAID funds) to support a limited number of interventions, still to be identified, with central government institutions should opportunities in that regard be deemed practicable in the future.

11. Support to the Judiciary Activities in this area of support focused on strengthening the institutional capacity of the Supreme Court through training programs for officers of the court, publication and dissemination of Supreme Court decisions, provision of a central law library, and establishment of a computerized case management system. These activities were significant during the transition to democracy as they assisted in increasing the independence of the judiciary and in bolstering citizen respect for the rule of law. By the close-out of this activity, we expect to see an increase from 10% to 25% in the number of Supreme Court decisions distributed, and distribution of the indexed digest of Supreme Court decisions. During the current phase of consolidation of democracy, scarce resources to achieve USAID's Target of Opportunity of increasing democratic decision-making at the local level will have a greater impact than could be achieved by continued support to the Supreme Court. USAID will phase out of this area with the completion of The Asia Foundation grant in April 1996.

12. Development of Democratic Trade Unions The Asian-American Free Labor Institute (AAFLI) has helped develop democratic procedures with the new trade unions that sprang up with democracy. These now have democratic constitutions, elect their officers and operate according to democratic norms. The efforts also called for informing workers of their rights under the international conventions Nepal has signed. AAFLI has played a leading role in getting the carpet industry to stop using child labor. This activity ends in late FY1996.

Accomplishments during phase-out period: (a) child labor—beginning of a child-labor free certification process with concomitant reduction in child-labor in the carpet industry from 25% in 1994 to 10% in 1995 and 2% in 1996; (b) conflict resolution—reduction in wild-cat strikes and lock-outs in factories with democratic trade unions from 35 per year in 1994, to 25 per year in 1995, 15 per year in 1996; (c) worker rights/democratic unions—from current 50% coverage of workers in democratic unions knowing of rights in the Labor Act to 90% coverage, with these unions continuing to have open conventions, elections and open books.

13. Financial Market Reform USAID will phase out of its present support to financial markets by December 1995. USAID worked with the Rastra (Central) Bank to develop new financial institutions and instruments. The focus had been on developing finance and leasing companies, and strengthening the recently privatized Nepal Stock Exchange. The Mission's emphasis has shifted from working with larger financial institutions to focusing on improving access to credit for small or disadvantaged borrowers. As a consequence, USAID/Nepal's financial market activities (funded through the Economic Liberalization Project) are changing to meet newly enunciated Agency goals; hence our phase out of the activities listed above. Accomplishments during the Phase Out period: an additional three non-Kathmandu finance or leasing companies providing non-bank credit to 300 small or micro-enterprises, for a total increase in employment at these enterprises of 500.

14. International Executive Service Corps (IESC) The IESC has provided 22 Volunteer Executives (VE) who worked with larger enterprises mainly in Kathmandu. Each VE was required, at client expense, to offer training programs for smaller enterprises in the field. This has included business skill development, market and product development. The grant still has to provide 5 VEs, with the last expected to depart in December 1995. During the Phase Out period, a survey will be completed to assess the production and employment impact of the program.

15. Strengthening Business Chambers USAID has provided limited support to the apex body of the Federation of Nepali Chambers of Commerce and Industry (FNCCI), by assisting in an analysis of policy changes, management training and strengthening district chambers. The only activity to continue will be the strengthening of rural district chambers. Support will end by June 1996. Accomplishments expected during the Phase Out period include an increase in exports to Rupees 10 million from enterprises in those rural districts, and increased employment of 500.

16. Support for the MBA Program USAID had been helping Tribhuvan University and Kathmandu University develop quality MBA programs with outreach facilities. Existing work on developing and testing a curriculum will be completed by June 1996, including the training of 400 people.

17. Legal Reform USAID has worked with the Ministry of Law and Justice to develop modern economic legislation, especially a new Company Act, Contract Law, Anti-Monopoly and Consumer Protection Laws. All the Acts will be ready for Parliament by March 1996. If passed, then workshops on the implications of the law will be completed by July 1996 when the activity will end.

18. Support for U.S. Businesses and U.S. Business Chamber USAID has provided support to investors in terms of information and access. We have also assisted the U.S.-Nepal Chamber get established. USAID financing will end by September 1996. Accomplishments expected during the Phase Out period include: U.S. Business Chamber representing interests of companies trading with the U.S. or with U.S. equity participation;

35 inquiries handled with at least 10 potential joint ventures established or in process; U.S. companies in Nepal assisted by the U.S. Business Chamber increasing their employment by 200.

19. Promotion of Science and Technology Cooperation Grants The Mission is managing five Promotion of Science and Technology Cooperation (PSTC) grants, mostly related to agricultural research. These grants were originally approved and managed from AID/W. In 1992 a decision was made to transfer the funding and management responsibility to the field. Two of the grants will terminate in August 1995; the remaining 3 will terminate in July 1996. As none of these grants are considered central to achieving the objectives of the Mission's Strategic Plan, the Mission does not intend any further support for these or similar grants.

20. Parks and Protected Areas During the 2 year Phase Out period, USAID/Nepal's parks and protected areas program will continue to build on lessons learned in implementing participatory approaches to protecting biodiversity while enhancing the lives of people living within the buffer zones of protected areas. Because protected areas (parks and buffer zones) make up 15% of Nepal's land area and contain significant amounts of the world's endangered wild fauna and flora, it is critical that USAID execute an orderly disengagement from the parks program so that other donors and private sector investors can take on USAID developed approaches to sustain the conservation of Nepal's unique environment. To accomplish this sensitive task, USAID will maintain a dialogue with the GON, local NGOs and other donors on our phase-out strategy from five significant biodiversity/protected areas activities.

The new Buffer Zone Laws of the Parks and Wildlife Act (developed with USAID assistance) will go into effect this year and enable community groups residing within the buffers zones to achieve increased incomes based on revenues from ecotourism. Because USAID played the most critical donor role in the development of the Buffer Zone legislation, it is important that its implementation be closely monitored to ensure its institutionalization at the local level.

Over the Phase Out period the following are expected to be accomplished: a framework for managing parks and conservation areas will be in place in selected areas; 25 Conservation Committees will have been formed; 20 plans will have been developed and implemented for revenue sharing for Conservation Committees in buffer zones; 70 lodge owners, trained in hotel management, will be managing tourist lodges in activity areas; and wildlife habitats will have been identified and livestock grazing plans prepared and their implementation initiated.

21. University Development Linkages The Mission has managed University Linkage Programs in the past and currently has a Linkage between Boston University's Center for International Health and Tribhuvan University's Department of Community Medicine, which ends in September 1996. While this activity has provided some useful training for Tribhuvan

University faculty and students, the focus and impact are not critical to the Mission's strategy for Nepal. Similarly, University of Massachusetts has established a University Linkages Program in Non-Formal Education: Literacy with Tribhuvan University. This program, to date, remains marginal and the Mission has spent considerable effort to connect the University with actual practitioners of non-formal programs to make the program appropriate to Nepal. Therefore, the Mission will not plan to accept management responsibility for University Development Linkage Projects in the future.

C. RESOURCE REQUIREMENTS

PROGRAM RESOURCE REQUIREMENTS

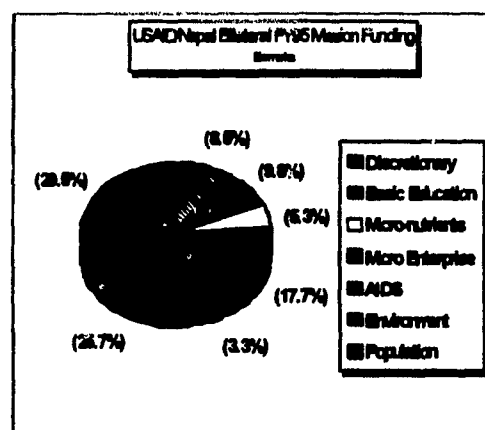
The following describes the Mission's funding requirements from all sources (i.e., bilateral, global bureau, regional funds) by Strategic Objective for FY1995, FY1996 and FY1997. The budget tables and portfolio timeline chart that immediately follow this narrative summarize the requirements.

Recent Trends

Nepal was designated a priority country for population assistance under the USAID global strategy for population in 1992. Consequently, the program has received increasingly more population funding, while the overall funding level has remained roughly the same. The highly earmarked allocation in both FY1993 and FY1995 budgets combined with dwindling economic growth and democracy funding, has caused some imbalance in the Mission's ability to program. The receipt of a relatively large earmark in

environment and micronutrient money in FY1995, both of which can be used to fund our economic growth strategy, will allow us to begin planned new activities. However, should the Mission continue to have to plan with a highly earmarked budget such as that in 1995, there will be serious program implication, particularly as it applies to discretionary funding for macroeconomic policy, economic growth and democracy Strategic Objectives and Targets of Opportunity.

The Mission began only one new activity in FY1994 and that was due to an influx of additional earmarked funding in Basic Education. Two new activities, supporting our high-value agricultural products objective, will begin in late, FY1995 and a follow-on umbrella project to support NGOs across our Strategic Objectives and Targets of Opportunity will begin in FY1996 (See Annex B).



**Alternative Programming Scenarios:
FY1996 - FY1997: Resource Needs by Strategic Objective**

The figures in Table 1, Table 2 and Figure 2 illustrate a three year country program level and at approximately \$75 million. It represents an average of \$25 million for each year including global and regional resources. This level is the average derived from current ANE Bureau allocations. The totals contain possible new funding for the Mission's Democracy Target of Opportunity in 1997. Both tables assume the present pattern of soft earmarks, and some amount of discretionary funding.

USAID/Nepal believes that, in a year sure to bring funding cuts, the CP Level for FY1996 is unrealistically high and cannot serve reasonably as a base level for planning for 1996 or 1997. We have therefore departed from the Action Plan Guidance for this section. The Mission has elected to use the straight line FY1995 allocation for the marker from which we have figured funding for FY1996 and scenarios for FY1997. The Mission believes that if there is relief from the earmarks received this year, with careful planning we would be able to satisfactorily pursue our strategy with a straight lined budget for FY1996 and FY1997. The Action Plan guidance asked for "slightly higher-slightly lower" scenarios for each S.O./T.O. USAID/Nepal thinks this reporting is highly repetitive and can be summarized by indicating that at a slightly higher funding level, implementation would be accelerated; at a slightly lower level, it would be slowed. Therefore we have not included separate "slightly higher-slightly lower" discussions under individual S.O./T.O. needs.

Figure 2 and Table 2 illustrate what would happen to each Strategic Objective at FY1995 straight-lined and at FY95 minus 20% and minus 33%. FY1995 in the straight-line column represents a near minimum for achieving our strategic targets in FY96 or FY97; this level assumes some relief from soft earmarks and an increase in the availability of economic growth funding; the level also assumes greater field control over centrally available resources. A minus 3% reduction (not shown here because it would be taken uniformly across the S.O./T.O.s) would result in a slight slowing of implementation; however no reallocation. An increase of 5% in 1997, would not be allocated uniformly across the S.O./T.O.s, rather, if the T.O. 3 results warrant, additional funding would be used for an extension of the Democracy Institutional Support Project to integrate its activities more closely with the user groups implementing the S.O. 1 objective. At a +5 scenario, there also would be some increases in each S.O./T.O., which would allow for innovative approaches in policy support; expansion of female leadership at the national level and expansion of NGO supported female scholarships.

The critical question is at what level of funding is our strategy in jeopardy. USAID's analysis suggests that at a FY1995 straight-line -10% level, the integrity of our ability to carry out all of our S.O./T.O. comes into question. Implementation would be impaired and each activity would call for incremental funding to such a degree as to overburden an already slim staff.

USAID/Nepal's first order of priority is to preserve to the maximum extent possible the full integrity of its Strategic Objectives. We assume that the T.O.2: HIV/AIDS is protected because of its recognized global importance. The Strategic Objectives are the core of our program; T.O. 2 addresses the global pandemic in a country where, for a small amount of money, significant reduction of HIV/AIDS transmission could be achieved. At a -10% level, shaving-off funding for each S.O./T.O. is possible; however at the -20% level, the strategy will begin to unravel. As illustrated in Table 2, funding would be dropped from the Macroeconomic Policy T.O. and reduced to such a degree for the Democracy T.O. as to call its continuation into question. At a -33%, the Democracy T.O. would be dropped and S.O.s 1, 2 and 3 would erode. The S.O. for Reduced Fertility would be at its minimum level, S.O.1 and 3 will drop important outcomes. The details are as follows:

S.O. 1: Sustainable Increase in Sales of High-Value Agricultural Products. We consider \$5 million per year the minimum level needed to achieve all program outcomes. Below this level, Program Outcome 1.3, Increased Adoption of Improved Technology for High-Value Agriculture, would be dropped. Without research on varieties which can suit seasonal niches and profitably compete with Indian exports to Nepal, the strategic targets will be impaired.

S.O. 2: Reduced Fertility and Improved Maternal and Child Health. A minimum level for this S.O. is \$10.5 million, below which all outcomes will erode. The integration of the implementation of child survival, female reproductive health and family planning service delivery is such that one cannot sustain significant cuts without the others being affected. Much of this Strategic Objective is implemented through non-governmental organizations, the private sector or through global/PHN activities. The design of a joint programming results package by the Mission and the G/PHN in 1997 would be questionable at a combined level lower than 10.5 million. Because USAID is the lead donor in family planning, reduction of our level would be significant, and reduction of fertility rates would be slowed.

S.O. 3: Empowerment of Women. At present, this S.O. is funded by three different projects within the Mission. The bulk of the funding is derived from a basic education earmark and a micro enterprise earmark. As long as those earmarks prevail at a \$2.3 million level, the S.O. outcomes will be viable. It is assumed that if this S.O. must compete with S.O. 1 for economic growth funding, the first S.O. will take precedence. Within the S.O., the female literacy outcome is considered the most critical Program Outcome and will be saved insofar as possible at a \$1.5 million per year. Literacy supports not only S.O.s 1 and 2, but also the Democracy T.O. Below the \$1.5 million level, the S.O. will not be able to meet its most important targets. Economic empowerment is also considered essential for this Strategic Objective to remain viable. Funding at lower than \$800,000 for this PO would result in either cutting the rural credit program or technical/marketing assistance to entrepreneurs, depending on their relative performance; the loss of either activity would jeopardize the program outcomes.

T.O. 1: Macroeconomic Policy. Over the past five years, this Mission has used its Economic Liberalization Project to support a broad range of macroeconomic policy

initiatives. USAID/Nepal has successfully created an environment for change through a number of strategic uses of technical assistance; we have set the stage for major changes by a receptive GON. As the strategy section of this document suggests, with the change of government, there are clearly some unknown factors. Putting resources against the T.O. is consequently difficult because success in accomplishing outcomes has many externalities. At present, the Mission has uncommitted money in the Economic Liberalization Project, which will allow us to support a number of activities should the Government show a desire to move in the direction of further liberalization. At a minus 20% or minus 33%, the T.O. would have to be dropped and any activities supported out of the pipeline until it is fully drawn down (see pipeline analysis Table 3). Should the GON move on tax reform, for example, USAID would be able to assist that important effort to reduce donor dependency assist at present funding and continue significant assistance at an FY1995 straight-line level. However, a cut of 20% would not allow us to continue past 1996.

T.O. 2: HIV/AIDs. As explained above, this is the Mission's most highly protected T.O. It is anticipated that the earmark for HIV/AIDs will continue to be hard. Even were these funds not earmarked, a very good case can be made in Nepal for USAID to continue to fund this T.O. Nepal's health services are very fragile. Basic health care is not yet universally available. Should HIV/AIDs become a drain on these already meager services and resources, our S.O. in family planning/health, to say nothing of other donor/GON initiatives, would be adversely affected. The present level of \$610,000 is a modest amount of money that can have a large preventive effect. Below that level, there will be a serious decrease in interventions supported; below \$400,000, the Mission believes the T.O. will not be viable.

T.O. 3: Increased Democratic Decision-Making at the Local Level. The Mission considers this T.O. to be seriously underfunded at the present levels. The small pilot project for Democratic Institutional Support has been refocussed at district, village and user group levels. The level of funding available for work in democracy and the need to concentrate our resources where we can show results prevent us from significant work at the national level. The local approach will allow this small activity to feed information to the large number of user groups implementing S.O. 1, to achieve a multiplier in democratic participation outcomes. In order to have the best effect, however, the T.O. will need to expand its activities, once basic procedures are established. In 1997, unless there is sufficient funding to continue and expand the activities under the T.O., the Mission will have to consider dropping this important Target of Opportunity. It is hoped that if the pilot portion of this project performs well, the Agency will consider it a model and democracy money will be made available to deepen the approach. Table 2 shows that if we receive a straight line or +5% budget for 1997, USAID/Nepal's democracy activities would expand.

Table 1
ALL RESOURCES TABLE
USAID/NEPAL
(\$000)

Funding Category	FY 1995	CP Level FY 1996	FY 1997 Scenarios			
			- 33 %	- 20 %	Straight- line 1995	+ 5 %
Sustainable Development:						
Economic Growth	6,824	7,324**	5,047	6,502	7,160	8,167
Population	4,500	4,750 *	3,600	4,000	4,500	4,681
Environment	3,915	2,983	1,500	2,150	3,100	3,000
Democracy	-	1,502	-	-	650	880
Sub-Total Sustainable Development	<u>15,239</u>	<u>16,559</u>	<u>10,147</u>	<u>12,652</u>	<u>15,410</u>	<u>16,728</u>
Global Field Support						
Economic Growth	975	1,475	100	764	1,075	1,225
Population	7,806	8,380	6,600	6,700	7,700	8,080
Environment	-	-	-	-	-	-
Democracy	150	150	-	-	660	-
Sub-Total Global Field Support	<u>8,931</u>	<u>10,005</u>	<u>6,700</u>	<u>7,464</u>	<u>9,435</u>	<u>9,225</u>
ANE Regional						
Economic Growth	300	650	-	-	-	150
Population	-	-	-	-	-	-
Environment	675	100	-	-	300	300
Democracy	-	-	-	-	-	-
Sub-Total ANE Regional	<u>975</u>	<u>750</u>	<u>-</u>	<u>-</u>	<u>300</u>	<u>450</u>
Grand Total	<u>25,145</u>	<u>27,314</u>	<u>16,847</u>	<u>20,116</u>	<u>25,145</u>	<u>26,403</u>

* This assumes that Mission's current arrangement to have contraceptive supplies provided through Global Field Support Agreement continues in FY1996 and FY1997.

** \$600 required for OYB transfer to AIDSCAP Project.

Table 2
Projected Allocation of Resources by S.O./T.O.

The following is a reconfiguration of resources assuming straight line for FY1995 and different funding scenarios to FY1997 taking the FY1995 level as the mark.

		FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
				- 33%	- 20%	straight line 95	+ 5%
Strategic Objective 1: Sustainable Increase in Sales of High-Value Agricultural Products							
Econ Growth	Bilateral	2,662	3,500	2,500	3,114	3,000	3,200
	Global						
	ANE	300	650			150	
Environment	Bilateral	3,915	2,983	1,500	2,150	3,100	3,000
	Global						
	ANE						
SUB-TOTAL:		6,877	7,133	4,000	5,264	6,100	6,350
Strategic Objective 2: Reduce Fertility and Improve Maternal and Child Health							
Econ Growth	Bilateral						
	Global	875	875	564	664	875	925
	ANE						
Population	Bilateral	4,300	4,750	3,600	4,000	4,500	4,681
	Global	7,806	8,380	6,600	6,700	7,700	8,000
	ANE						
SUB-TOTAL:		12,981	14,005	10,764	11,364	13,075	13,606
Strategic Objective 3: Empowerment of Women							
Econ Growth	Bilateral	2,702	2,500	1,625	2,500	2,700	3,000
	Global		500			200	200
	ANE						
Population	Bilateral	200					
	Global						
	ANE						
SUB-TOTAL:		2,902	3,000	1,625	2,500	2,900	3,200
Target of Opportunity 1: Macroeconomic Policy							
Econ Growth	Bilateral	200	400	0		200	200
	Global						
	ANE						
Environment	Bilateral						
	Global						
	ANE	675	100			300	300
SUB-TOTAL:		875	500	0	0	500	500

Target of Opportunity 2: HIV/AIDS

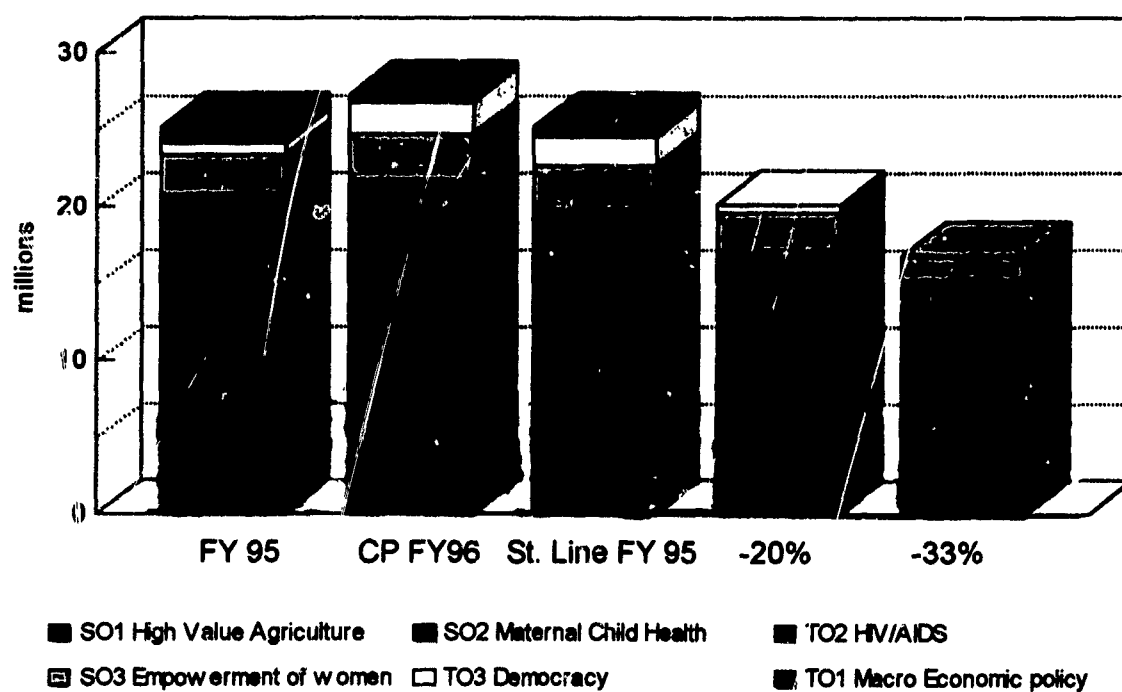
Econ Growth	Bilateral	510	510	358	388	510	540
	Global	100	100	100	100	100	100
	ANE						
SUB-TOTAL:		610	610	458	488	610	640

Target of Opportunity 3: Increased Democratic Decision-Making at the Local Level

Econ Growth	Bilateral	750	414	0	500	650	1,227
	Global	150					
	ANE						
Democracy	Bilateral		1,502	0		650	810
	Global		150			660	
	ANE						
SUB-TOTAL:		900	2,066	0	500	1,960	2,107

GRAND TOTAL:		25,145	27,314	16,847	20,116	25,145	26,403
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Figure 2
Funding Scenarios



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USAID/Nepal Bilateral Pipeline Analysis

Number	Activity	PACD	LOP	FY-95 obligations	Cumulative Obligation	Mortgage	03/31/95 Earmark	03/31/95 Commitment	Expenditure through 9/30/94	Planned Expenditure fy95	Pipeline	Pipeline in Years
Mission Totals			92,259,583	15,239,000	71,738,498	20,521,085	49,755,415	48,036,505	27,190,559	24,161,638	20,403,301	0.8
Strategic objective #1			34,910,158	6,575,217	19,606,663	15,303,495	9,615,893	9,497,843	6,198,533	5,177,383	8,247,746	1.6
PO 1			13,277,606	3,021,944	7,532,797	5,744,810	3,543,477	3,454,210	2,553,434	1,904,950	3,091,412	1.6
0167.72	SIRE-MARD	05/31/02	5,130,000	1,800,000	1,800,000	3,330,000	0	0	0	180,000	1,620,000	9.0*
0167.60	SIRE-ATSP	09/30/96	604,000	(300,000)	304,000	300,000	286,415	279,660	130,580	41,674	131,746	3.2
0159.32	CECI	09/28/96	332,830	0	332,830	0	332,830	332,830	78,209	127,308	127,313	1.0
0167.76	SIRE-EFE	05/31/02	2,250,000	500,000	500,000	1,750,000	0	0	0	50,000	450,000	9.0*
0167.90	SIRE-CORE	05/31/02	602,933	668,000	1,004,000	(401,067)	4,914	4,914	4,914	358,333	640,753	1.8
0159.41	PVO Coordination	08/13/95	10,063	5,413	10,063	0	4,650	4,650	0	10,063	0	0.0
0152	DTP	09/30/99	2,958,954	154,109	2,523,734	435,220	2,053,959	2,052,199	1,882,519	542,430	98,786	0.2
0161	EC. LIB.	09/30/98	1,388,826	177,423	1,058,170	330,656	860,709	779,958	457,213	578,142	22,815	0.0
	OYB Transfer			17,000						17,000	0	0.0
PO2			16,410,037	3,723,629	8,544,372	7,865,664	4,100,257	4,099,201	2,364,858	2,500,430	3,679,084	1.5
0167.76	SIRE-EFE	05/31/02	6,300,000	1,400,000	1,400,000	4,900,000	0	0	0	140,000	1,260,000	9.0*
0167.75	SIRE-IMTP	05/31/02	3,000,000	625,000	625,000	2,375,000	0	0	0	250,000	375,000	1.5
0159.28	UMN	07/15/97	818,550	0	818,550	0	818,550	818,550	329,051	150,000	339,499	2.3
0159.26	IUCN	07/31/95	520,875	0	520,875	0	520,875	520,875	203,707	317,168	0	0.0
0159.35	CARE	06/30/97	1,195,343	795,000	995,000	200,343	200,000	200,000	0	400,000	595,000	1.5
0167.90	SIRE-CORE	05/31/02	602,933	668,000	1,004,000	(401,067)	4,914	4,914	4,914	358,333	640,753	1.8
0159.17	WOODLANDS	04/30/96	1,136,675	19,611	1,136,675	0	1,117,064	1,117,064	697,675	282,000	157,000	0.6
0159.41	PVO Coordination	08/13/95	14,021	7,542	14,021	0	6,479	6,479	0	14,021	0	0.0
0167.74	SIRE-SSEA	05/31/02	495,000	95,000	495,000	0	200,000	200,000	0	258,450	236,550	0.9
0152	DTP	09/30/99	1,775,373	92,466	1,514,241	261,132	1,232,375	1,231,319	1,129,511	325,458	59,271	0.2
0159	PVO other	0	551,267	21,011	21,011	530,256	0	0	0	5,000	16,011	3.2
PO3			5,222,515	(170,356)	3,529,494	1,693,021	1,972,158	1,944,432	1,280,241	772,003	1,477,250	1.9
0167.60	SIRE-ATSP	09/30/96	2,416,000	(1,200,000)	1,216,000	1,200,000	1,145,661	1,118,638	522,319	166,698	526,983	3.2
0167.72	SIRE-MARD	05/31/02	570,000	200,000	200,000	370,000	0	0	0	20,000	180,000	9.0*
0167.76	SIRE-EFE	05/31/02	450,000	100,000	100,000	350,000	0	0	0	10,000	90,000	9.0*
0167.90	SIRE-CORE	05/31/02	602,933	668,000	1,004,000	(401,067)	4,914	4,914	4,914	358,333	640,753	1.8
0152	DTP	09/30/99	1,183,582	61,644	1,009,494	174,088	821,584	820,880	753,008	216,972	39,514	0.2
* new project start fy 1995 III quarter												
Strategic Objective #2			32,076,041	4,300,000	30,109,101	1,966,940	23,334,563	22,350,785	14,711,451	10,121,789	5,275,861	0.5
PO1			17,524,426	3,320,300	16,009,669	1,514,757	12,079,330	11,448,025	7,122,075	6,528,496	2,359,098	0.4
0157.01	CS/FP	07/15/97	10,694,929	2,086,196	10,086,196	608,733	7,902,042	7,273,593	4,068,206	4,063,248	1,954,742	0.5
0159.37	TAF/OPG	07/15/97	1,289,409	244,104	1,089,409	200,000	845,305	845,305	0	845,305	244,104	0.3
0152	DTP	09/30/99	4,800,088	250,000	4,094,064	706,024	3,331,983	3,329,127	3,053,868	879,943	160,253	0.2
	OYB Transfer to G POP		740,000	740,000	740,000	0	0	0	0	740,000	0	0.0
PO2			2,673,732	521,549	2,521,549	152,183	1,975,511	1,818,398	1,017,052	1,015,812	488,685	0.5

0157.01	CS/FP	07/15/97	2,673,732	521,549	2,521,549	152,183	1,975,511	1,818,398	1,017,052	1,015,812	488,685	0.5
PO3			11,877,883	458,151	11,577,883	300,000	9,279,722	9,084,362	6,572,325	2,577,481	2,428,077	0.9
0157.00	CS/FP	07/15/97	6,681,339	0	6,681,339	0	6,642,238	6,447,473	5,688,876	792,463	200,000	0.3
0157.02	CS/FP	07/15/97	3,250,000	0	3,250,000	0	1,449,091	1,448,496	850,261	596,625	1,863,114	3.0
0159.38	SCF/OPG	07/15/97	1,014,302	191,506	914,302	100,000	722,796	722,796	3,064	722,796	188,442	0.3
0159.39	ADRA/OPG	07/15/97	932,242	266,645	732,242	200,000	465,597	465,597	30,124	465,597	236,521	0.5
Strategic Objective #3			18,015,821	2,902,000	15,862,211	2,153,610	12,829,696	12,303,754	4,537,847	6,648,564	4,675,800	0.7
PO1			8,654,382	1,746,423	8,654,382	0	6,907,959	6,907,959	1,473,451	2,811,044	4,369,887	1.6
0168	BES-	08/22/98	1,500,000	1,500,000	1,500,000	0	0	0	0	400,000	1,100,000	2.8
0157.01	BES-CS/FP	08/22/98	200,000	200,000	200,000	0	0	0	0	150,000	50,000	0.3
0168.01	BES-PACT	08/22/96	3,060,909	0	3,060,909	0	3,060,909	3,060,909	0	1,173,550	1,887,359	1.6
0168.02	BES-WEI	08/22/96	939,091	0	939,091	0	939,091	939,091	0	400,000	539,091	1.3
0159.10	WEI/LEPII	08/31/96	1,505,326	0	1,505,326	0	1,505,326	1,505,326	846,002	240,000	419,324	1.7
0159.31	PACT	05/12/96	954,729	0	954,729	0	954,729	954,729	329,126	304,493	321,110	1.1
0159.14	TAF/FSEP	12/31/95	451,326	23,293	451,326	0	428,033	428,033	298,323	100,000	53,003	0.5
0159.41	PVO Coordination	08/13/95	43,001	23,130	43,001	0	19,871	19,871	0	43,001	0	0.0
PO2			0	0	0	0	0	0	0	0	0	
PO3			9,361,438	1,155,577	7,207,828	2,153,610	5,921,737	5,395,795	3,064,396	3,837,520	305,913	0.1
0161	EC. LIB.	09/30/98	9,045,614	1,155,577	6,892,004	2,153,610	5,605,913	5,079,971	2,977,889	3,765,520	148,596	0.0
0159.24	IIDS	09/30/96	315,824	0	315,824	0	315,824	315,824	86,507	72,000	157,317	2.2
Target of Opportunity #1			1,565,560	200,000	1,192,826	372,734	970,237	879,210	515,395	651,713	25,718	0.0
0161	EC. LIB.	09/30/98	1,565,560	200,000	1,192,826	372,734	970,237	879,210	515,395	651,713	25,718	0.0
Target of Opportunity #2			692,004	510,000	663,763	28,241	133,279	133,165	122,155	535,198	6,410	0.0
0152	DTP	09/30/99	192,004	10,000	163,763	28,241	133,279	133,165	122,155	35,198	6,410	0.2
	AID/HIV OYB transfer		500,000	500,000	500,000	0	0	0	0	500,000	0	0.0
Target of Opportunity #3			5,000,000	750,000	4,303,935	696,065	2,871,747	2,871,747	1,105,178	1,026,991	2,171,766	2.1
0163	DISP	12/31/97	5,000,000	750,000	4,303,935	696,065	2,871,747	2,871,747	1,105,178	1,026,991	2,171,766	2.1
Parking Fines of Nepali Embassy in USA				1,783								

TABLE 3: USAID/NEPAL PORTFOLIO TIMELINE

Number	Strategic Objective/ Project Name	FY 1994				FY 1995				FY 1996				FY 1997			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
S.O. #1 - HIGH-VALUE AGRICULTURE: Sustainable Increase in Sales of High-Value Agricultural Products																	
367-0161	Economic Liberalization																
367-0167	Sustainable Income and Rural Enterprise																
	Institute of Forestry																
	Rapti Development																
	Forestry Development																
	Agroenterprise and Technology Systems																
	Policy Analysis in Agriculture																
	Private Electricity Project																
	Small-Scale Environmental Activities																
	Irrigation Management Transfer Project																
	Market Access for Rural Development																
	Environment and Forest Enterprise																
S.O. #2 - FAMILY PLANNING/MATERNAL AND CHILD SURVIVAL: Reduce Fertility and Improve Maternal and Child Health																	
367-0157	Child Survival/Family Planning Services																
S.O. #3 - WOMEN: Empowerment of Women																	
367-0161	Economic Liberalization																
367-0163	Democratic Institutions Strengthening																
367-0168	Basic Education Support																
TO 1 - 367-0161	Macroeconomic Policy																
TO 2 - 936-5972.31	HIV/AIDS Control and Prevention																
367-0167	Sustainable Income and Rural Enterprise																
TO 3 - 367-0163	Increased Democratic Decision-Making at the Local Level																
367-0167	Sustainable Income and Rural Enterprise																
367-0152	Development Training*																
367-0159	PVO Co-Financing II*																

* supports across S.O./T.O.s

PROGRAM MANAGEMENT REQUIREMENTS

It is our understanding that this strategy document is intended to record all resources for which the Mission has some role and management responsibility. In this regard, we are uncomfortable with a number of activities which appear to operate independent of Mission approval, and demand significant Mission managerial oversight and responsibility. These activities include: the University Development Linkages Program, the United States-Asia Environmental Program and the Agency Research Agenda. The Mission strongly believes that its position on a given proposal must be the decisive factor as to whether or not the activity can proceed.

Nepal's rugged geography and the remote location of large parts of program make USAID/Nepal a particularly labor intensive mission. In order to adequately monitor our projects, more staff is needed than programs this size normally require. It is not unusual for project officers to fly to a remote location and then walk from 2 to 6 days before reaching the project site, thereby taking six to twelve times the working hours for a normal site visit in another mission. Given these logistical problems, a significant cutback in FTE and/or OE levels makes it difficult to imagine USAID/Nepal providing the levels of oversight and management needed to be accountable to assure the achievement of desired results.

A slight increase of 3% in our OYB could be adequately managed at present FTE levels. A decrease in 5% of our OYB would not reduce our need for USDH FTEs and would not appreciably reduce our dependence on the current levels of FSNs. A decrease in the OYB of 20% would seriously disrupt our programs and may actually increase our oversight needs for an initial period while activities were scaled back or closed. Once the initial period had passed and the program settled into its new, smaller mode then our FTE levels could be scaled back. However, the strategy calls for a slightly different level of direct hire personnel. The Mission thinks that a General Development Officer should head the women's empowerment and democracy results package teams and we propose adding this position in lieu of the USDH secretarial position. Considerable risk to our ability to effectively monitor our program Nepal would be the result of a 20% reduction in our OYB because it would necessitate reduction in our FTEs. At the very least, such a scenario would mean a different mix of FSNs. Our OE budget would then be strained by eliminating some old FSN positions and adding some new ones. There would be severance pay issues and the possibility of extensive training or re-training of FSNs to fill gaps in monitoring should one or more DH FTEs be cut.

The cost necessary to change personnel will come on top of other already identified higher operating costs. For instance, airfares on domestic flights dramatically increased this year as the GON reduced subsidies. Electricity and other utility costs have been increasing and are projected to continue to increase during the next few years. This could add 50 to 100% to our utility costs despite efforts underway to reduce Mission energy consumption. Also, the population in the Kathmandu valley continues to grow and land values are skyrocketing. Each lease renewal is resulting in rent increases of up to 100% over the life of the lease.

PROGRAM ACTIVITY RESOURCES

The following charts, Figures 3 to 8 illustrate how USAID/Nepal's S.O./T.O. program outcomes are supported by project activities. These Program Activity Trees taken together with Table 2, the funding breakout by Strategic Objective, gives a complete picture of how our program will be funded in FY1996 and FY1997. Present year funding and our phase-out activities can be understood by comparing the Program Activity Trees with the Pipeline Analysis and the Funding Breakout by Strategic Objective Table.

Figure 3

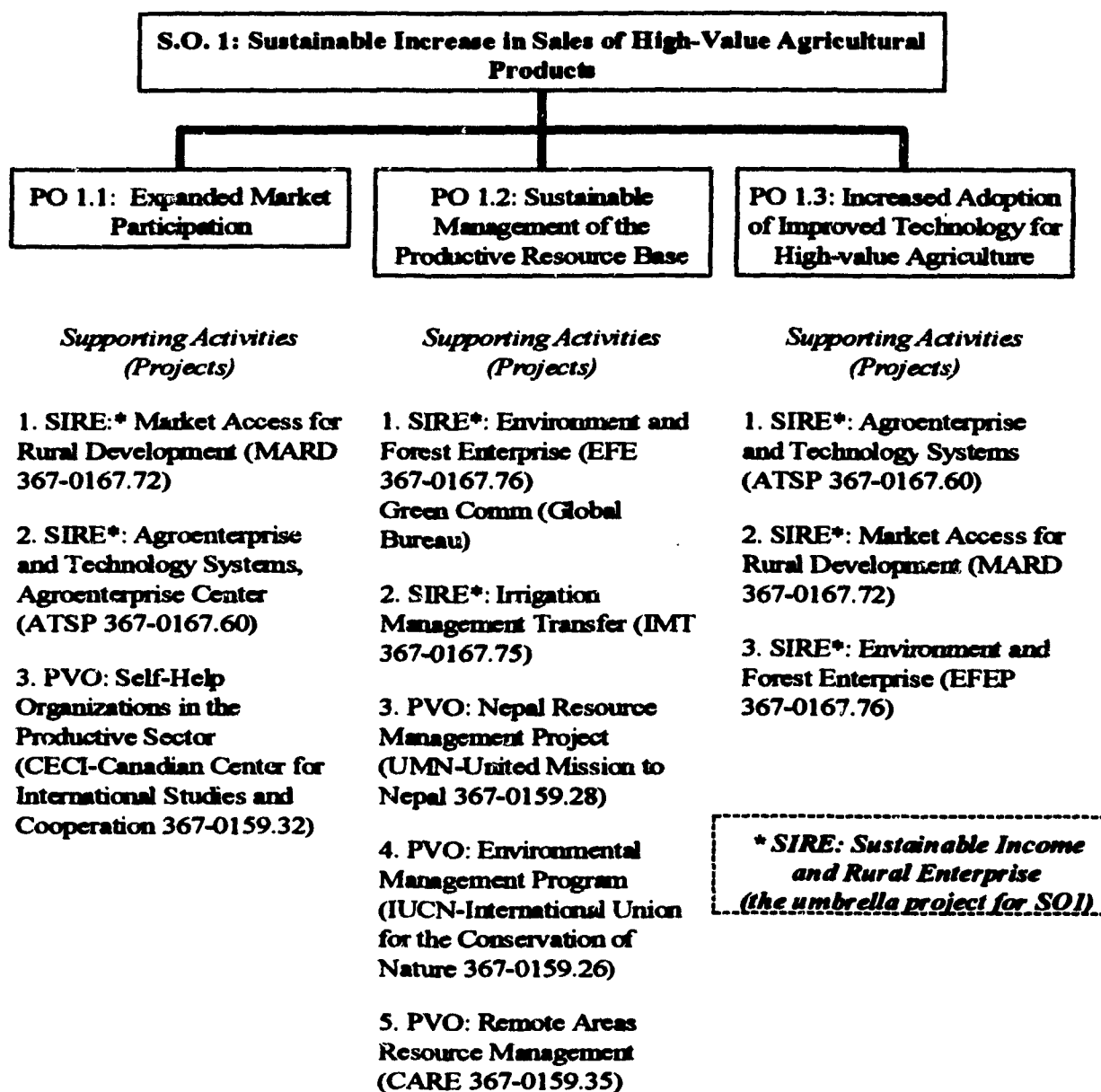


Figure 4

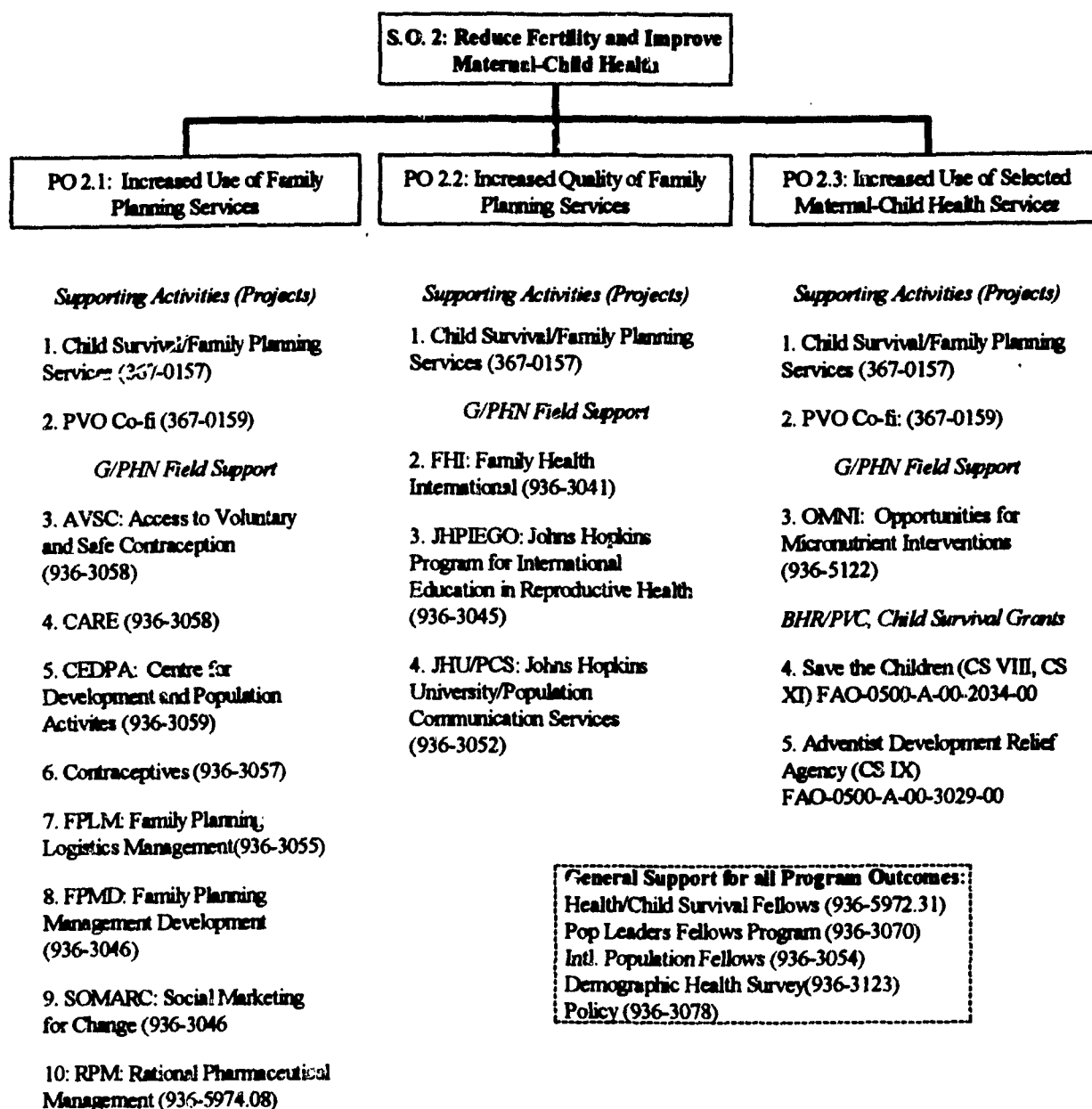


Figure 5

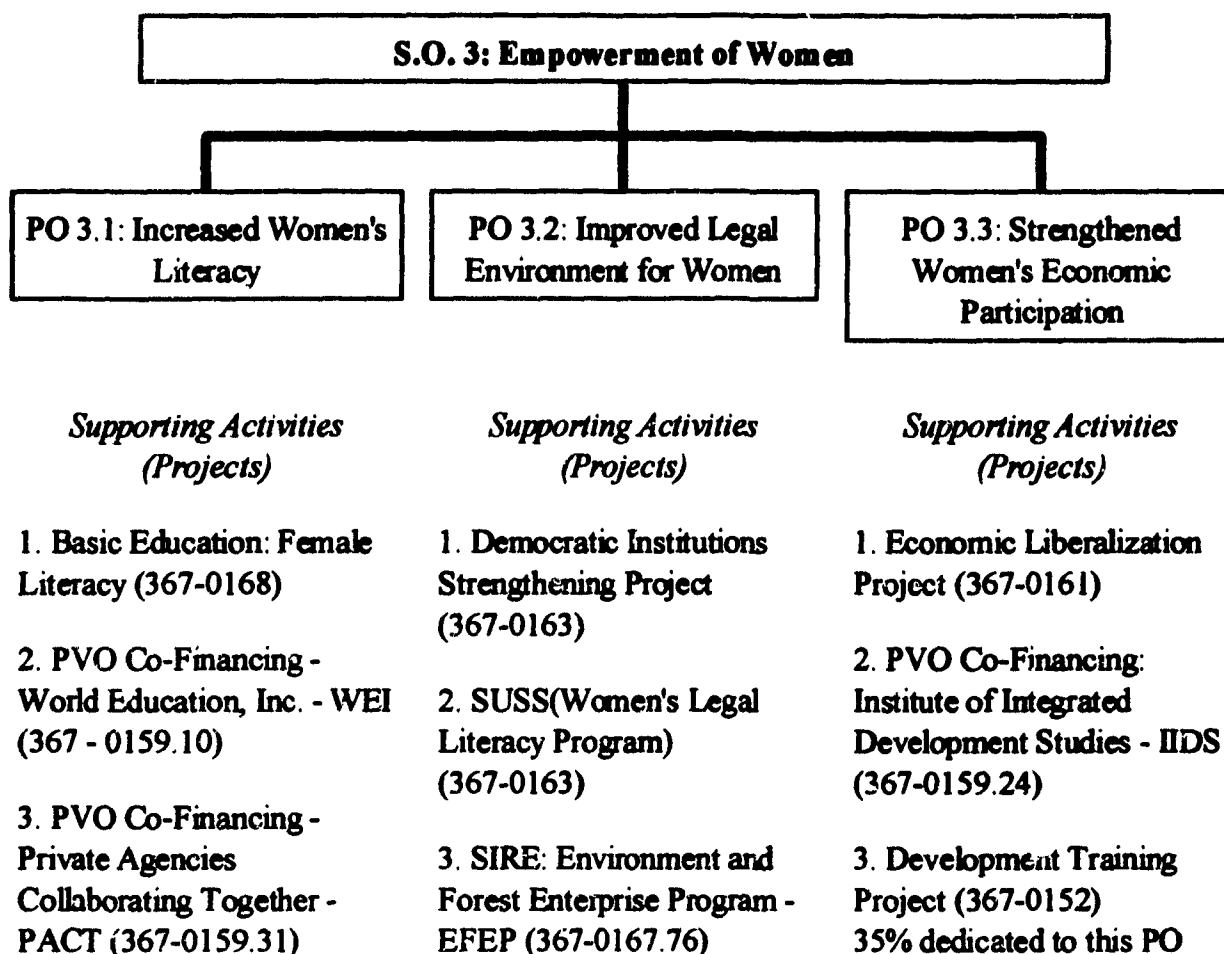


Figure 6

T.O. 1: Improved Macroeconomic Policy Environment

Supporting Activities (Projects)

1. Economic Liberalization Project (367-0161)

Figure 7

T.O. 2: Increased STD/HIV Prevention and Control Practices by High Risk Groups in Targeted Areas

Supporting Activities (Projects)

1. AIDSCAP: AIDS Control and Prevention (936-5972.31)

Figure 8

T.O. 3: Increased Democratic Decision-Making at the Local Level

Supporting Activities (Projects)

1. Democratic Institutions Strengthening Project: (367-0163)
Strengthening Democratic Institutions;
Local Government Strengthening
2. SIRE: Environment and Forest Enterprise Program:
(EFEP-367-0167.76)

PERFORMANCE MONITORING PLAN FOR S.O.1

Strategic Objective 1: Sustainable Increase in Sales of High-Value Agricultural Products

PERFORMANCE INDICATOR	PRECISE DEFINITION OF INDICATOR/ UNIT OF MEASUREMENT	DATA SOURCE/ SET DATA QUALITY	EVAL. METHOD/ APPROACH	TIMING/ FREQUENCY OF DATA COLLECTION	FUTURE COSTS OF COLLECTING INFORMATION/ SOURCE OF FUNDS	RESPONSIBLE PERSON/ OFFICE
1.1 annual production of high-value agricultural commodities	increase in production in metric tons of noted high value agricultural commodities: forest products livestock fruits and vegetables seeds processed goods	project MIS, central bureau of statistics. A	survey	annual	cost: low source: USAID & GON	Agriculture & Rural Development Office
1.2. annual sales of high-value agricultural commodities	increase in sales in millions of dollars of noted high value agricultural commodities: forest products livestock fruits and vegetables seeds processed goods	project MIS, Central Bureau of Statistics. A	survey	annual	cost: low source: USAID & GON	Agriculture & Rural Development Office
Comments/Notes:						

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PERFORMANCE MONITORING PLAN FOR PROGRAM OUTCOME 1.1

Strategic Objective 1: Sustainable Increase in Sales of High-Value Agricultural Products

Program Outcome 1.1: Expanded Market Participation

PROGRAM INDICATOR	PRECISE DEFINITION OF INDICATOR/ UNIT OF MEASUREMENT	DATA SOURCE/ SET DATA QUALITY	EVAL. METHOD/ APPROACH	TIMING/ FREQUENCY OF DATA COLLECTION	FUTURE COSTS OF COLLECTING INFORMATION/ SOURCE OF FUNDS	RESPONSIBLE PERSON/ OFFICE
1.1.1. producers of high-value agricultural products (TMF)	numbers of producers of high value agricultural products, total and gender-disaggregated	project MIS A	survey	annual	Cost: low Source: USAID	Agriculture & Rural Development
1.1.2. number of traders of high-value agricultural products (TMF)	number of traders of high value agricultural products, total and gender-disaggregated.	project MIS A	survey	annual	Cost: low Source: USAID	Agriculture & Rural Development
1.1.3. new off-farm value-added enterprises established (TMF)	number of new off-farm, value-added enterprises established, total and disaggregated by sex of owner.	project MIS, Ministry of Commerce; A	survey:	annual	Cost: low Source: USAID & GON	Agriculture & Rural Development
Comments/Notes: TMF = Total, male, and female---data to be disaggregated.						

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PERFORMANCE MONITORING PLAN FOR PROGRAM OUTCOME 1.2

Strategic Objective 1: Sustainable Increase in Sales of High-Value Agricultural Products

Program Outcome 1.2: Sustainable Management of the Productive Resource Base

PROGRAM INDICATOR	PRECISE DEFINITION OF INDICATOR/ UNIT OF MEASUREMENT	DATA SOURCE/ SET DATA QUALITY	EVAL. METHOD/ APPROACH	TIMING/ FREQUENCY OF DATA COLLECTION	FUTURE COSTS OF COLLECTING INFORMATION/ SOURCE OF FUNDS	RESPONSIBLE PERSON/ OFFICE
1.2.1. forest biomass produced	cubic meters of forest biomass	project MIS A	sample survey	annual	Cost: low Source: USAID	Agriculture & Rural Development
1.2.2. cropping intensity in irrigation command areas	number of crops grown per unit of land in one year.	project MIS, Department of Irrigation A	sample survey	annual	Cost: low Source: USAID & GON	Agriculture & Rural Development
1.2.3. land managed by user groups forest user groups water user groups	number of hectares managed under user plans by sample.	project MIS A	sample survey	annual	Cost: low Source: USAID & GON	Agriculture & Rural Development
Comments/Notes:						

PERFORMANCE MONITORING PLAN FOR PROGRAM OUTCOME 1.3

Strategic Objective 1: Sustainable Increase in Sales of High-Value Agricultural Products

Program Outcome 1.3: Increased Adoption of Improved Technology for High-value Agriculture

PROGRAM INDICATOR	PRECISE DEFINITION OF INDICATOR/ UNIT OF MEASUREMENT	DATA SOURCE/ SET DATA QUALITY	EVAL. METHOD/ APPROACH	TIMING/ FREQUENCY OF DATA COLLECTION	FUTURE COSTS OF COLLECTING INFORMATION/ SOURCE OF FUNDS	RESPONSIBLE PERSON/ OFFICE
1.3.1. number of farmers using improved technology	number of farmers using new seed varieties, fertilizer and/or silvaculture techniques.	project MIS, Ministry of Agriculture A	sample survey	annual	Cost: low Source: USAID	Agriculture & Rural Development
1.3.2. number of hectares with improved technology	number of hectares on which new seed varieties, fertilizer, and/or silvaculture techniques are employed.	project MIS, Ministry of Agriculture A	sample survey	annual	Cost: low Source: USAID & GON	Agriculture & Rural Development
Comments/Notes:						

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12

Baseline and Performance Targets

STRATEGIC OBJECTIVE, PROGRAM OUTCOMES/SPECIFIC RESULTS	PRECISE DEFINITION OF INDICATOR & UNIT OF MEASUREMENT	BASELINE YEAR & VALUE	PERFORMANCE TARGETS					CRITICAL ASSUMPTIONS
			1996	1997	1998	1999	2000	
Strategic Objective No. 1: sustainable increase in sales of high-value agricultural products Indicators: 1.1. annual production of high value agricultural commodities (MT) forest products, livestock, fruits and vegetables, seeds processed goods.	total production in metric tons of forest products, livestock, fruits and vegetable, seeds, processed goods (MT).	(1995) 55,103	75,372	85,836	97,891	110,926	128,476	physical factors allow for increase.
1.2. annual sales of high value agricultural commodities, forest products, livestock, fruits and vegetables, seeds, processed goods.	total sales in millions of dollars of noted high value agricultural commodities.	7.6	11.97	16.1	20.55	25.06	29.74	marketing system expands to accommodate increased production.
Program Outcome No. 1.1: expanded market participation Indicators: 1.1.1. producers of high value agricultural products a) small (TFM) b) large (TFM).	numbers (male, female) who produce high value agricultural products (totals shown).	a) 420,550 b) 46,729	522,482 58,054	656,630 72,959	867,192 96,355	1,225,472 136,164	1,710,975 190,108	quality of product maintained throughout period thus increasing demand for more produce.
1.1.2. traders of high-value agricultural products a) small (TFM) b) large (TFM)	number of traders (male, female) of high value agricultural products. (total shown) - to be disaggregated in survey.	a) 12,615 b) 467	15,674 870	26,265 1,459	34,688 1,927	49,019 2,723	68,439 3,802	
1.1.3. new off-farm enterprises established a) small/micro (TFM) b) medium (TFM)	number of new off-farm enterprises established. (totals shown) - to be disaggregated in surveys.	a) TBD b) TBD	TBD TBD	TBD TBD	TBD TBD	TBD TBD	TBD TBD	financial systems able to provide funds for new enterprise start-up.

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STRATEGIC OBJECTIVE, PROGRAM OUTCOMES/SPECIFIC RESULTS	PRECISE DEFINITION OF INDICATOR & UNIT OF MEASUREMENT	BASELINE YEAR & VALUE	PERFORMANCE TARGETS					CRITICAL ASSUMPTIONS
			1996	1997	1998	1999	2000	
Program Outcome No. 1.2: sustainable management of the productive resource base Indicators:								user group management controls forest use.
1.2.1. forest biomass produced	forest biomass produced sampled and measured in cubic meters.	1994 TBD		TBD	TBD	TBD	TBD	
1.2.2. cropping intensity in irrigation command areas	number of crops grown per unit of land in one year.	1994	1.74	1.80	1.85	1.90	1.95	management and inputs used in integrated manner.
1.2.3. land managed by user groups forest user groups water user groups	number of hectares managed under user plans by sample checking.	1994 67000 1994 4000	F 67000 W 4000	67,000 4,000	95,000 9,000	115,000 14,000	140,000 22,000	
Program Outcome No. 1.3: increased adoption of improved technology for high-value agriculture Indicators:								
1.3.1. number of instances in which farmers adopt: a) new seed varieties b) fertilizer c) silvaculture techniques	number of instances in which farmers (at research outreach sites, high value agricultural sites and forests users) adopt a) new seed varieties, b) fertilizer and c) silvaculture techniques.	a)1995 b) c)1994	a)TBD b)TBD c)TBD	TBD TBD TBD	TBD TBD TBD	TBD TBD TBD	TBD TBD TBD	inputs will be available at affordable cost to farmers.
1.3.2. number of hectares with a) new seed varieties b) fertilizer c) silva-culture techniques	number of hectares on which a) new seed varieties, b) fertilizer and c) silvaculture techniques are employed.	a)1995 b)1995 c)1995		TBD TBD TBD	TBD TBD TBD	TBD TBD TBD	TBD TBD TBD	inputs will be available at affordable cost to farmers.

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PERFORMANCE MONITORING PLAN FOR S.O.2

Strategic Objective 2: Reduce Fertility and Improve Maternal-Child Health

PERFORMANCE INDICATOR	PRECISE DEFINITION OF INDICATOR/ UNIT OF MEASUREMENT	DATA SOURCE/ SET DATA QUALITY	EVAL. METHOD/ APPROACH	TIMING/ FREQUENCY OF DATA COLLECTION	FUTURE COSTS OF COLLECTING INFORMATION/ SOURCE OF FUNDS	RESPONSIBLE PERSON/ OFFICE
1. total fertility rate	number of children a woman would bear during her lifetime given current age-specific fertility rates, nationwide	DHS A	survey	every 5 years	cost: medium source: USAID/G	HFP
2. program policies/technical guidelines (consistent with internationally accepted standards) for selected maternal-child health interventions in place	program policies/technical guidelines for selected maternal-child health interventions in place (acute respiratory infections(ARI), control of diarrheal diseases (CDD) and vitamin A	project MIS A	project reports	annual	cost: low source: USAID/N	HFP
Comments/Notes:						

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PERFORMANCE MONITORING PLAN FOR PROGRAM OUTCOME 2.1

Strategic Objective 2: Reduce Fertility and Improve Maternal-Child Health

Program Outcome 2.1: Increased Use of Family Planning Services

PROGRAM INDICATOR	PRECISE DEFINITION OF INDICATOR/ UNIT OF MEASUREMENT	DATA SOURCE/ SET DATA QUALITY	EVAL. METHOD/ APPROACH	TIMING/ FREQUENCY OF DATA COLLECTION	FUTURE COSTS OF COLLECTING INFORMATION/ SOURCE OF FUNDS	RESPONSIBLE PERSON/ OFFICE
2.1.1. total contraceptive prevalence rate	percent of married women of reproductive age (MWRA, 15-49) currently using a contraceptive method	DHS A	survey	every 5 years	costs: medium source: USAID/G	HFP
2.1.2. unmet need for family planning satisfied	percent of MWRA who desire to either limit or postpone childbearing, but who are not currently using a family planning method	DHS A	survey	every 5 years	costs: medium source: USAID/G	HFP
2.1.3. couple years of protection (CYP) provided through: private sector outlets, NGO service sites, and priority district hospitals	number used to estimate protection provided by family planning services during a one year period, based upon volume of all contraceptives sold or distributed to clients during that period, disaggregated by site type	MOH's Logistics Management Info Systems (LMIS); NGO and private sector progress reports A	periodic reports	every 6 months	costs: low source: MOH, USAID/N	HFP
2.1.4. warehouses stocking a three-month supply of contraceptives	number of MOH district-level warehouses stocking a minimum 3-month supply of all contraceptive products	MOH's LMIS A	periodic reports	every 6 months	costs: low source: MOH, USAID/N	HFP
Comments/Notes						

PERFORMANCE MONITORING PLAN FOR PROGRAM OUTCOME 2.2

Strategic Objective 2: Reduce Fertility and Improve Maternal-Child Health

Program Outcome 2.2: Increased Quality of Family Planning Services

PROGRAM INDICATOR	PRECISE DEFINITION OF INDICATOR/ UNIT OF MEASUREMENT	DATA SOURCE/ SET DATA QUALITY	EVAL. METHOD/ APPROACH	TIMING/ FREQUENCY OF DATA COLLECTION	FUTURE COSTS OF COLLECTING INFORMATION/ SOURCE OF FUNDS	RESPONSIBLE PERSON/ OFFICE
2.2.1. health workers certified as family planning service providers	number of health workers certified as family planning service providers	NHTC progress reports B	periodic reports	annual	costs: low source: MOH	HFP
2.2.2. service delivery points certified for provision of contraceptive services	number of service delivery points certified to provide the full range of contraceptive services	MOH's QAT reports B	periodic reports	every 6 months	cost: medium source USAID/N	HFP
2.2.3. married women of reproductive age (MWRA) knowing spontaneously temporary family planning methods	percentage of MWRA knowing spontaneously temporary family planning methods	DHS A	survey	every 5 years	cost: medium source: USAID/G	HFP
2.2.4. trained family planning service providers counseling routinely and according to MOH guidelines	number of trained planning providers counseling routinely according to MOH guidelines	QAT reports; B	project reports; mystery client	annual	cost: medium source: USAID/N	HFP
Comments/Notes						

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PERFORMANCE MONITORING PLAN FOR PROGRAM OUTCOME 2.3

Strategic Objective 2: Reduce Fertility and Improve Maternal-Child Health

Program Outcome 2.3: Increased Use of Selected Maternal-Child Health Services

PROGRAM INDICATOR	PRECISE DEFINITION OF INDICATOR/ UNIT OF MEASUREMENT	DATA SOURCE/ SET DATA QUALITY	EVAL. METHOD/ APPROACH	TIMING/ FREQUENCY OF DATA COLLECTION	FUTURE COSTS OF COLLECTING INFORMATION/ SOURCE OF FUNDS	RESPONSIBLE PERSON/ OFFICE
2.3.1. children 6-60 months receiving one vitamin A capsule every six months	percentage of children in target area receiving one vitamin A capsule every six months	VITAL/OMNI Reports A	surveys and project reports	annually	costs: low source: MOH and USAID/N	HFP
2.3.2. caretakers of children (under 5) with pneumonia symptoms seeking appropriate treatment	percent of caretakers of children (under 5) with pneumonia symptoms seeking appropriate treatment	DHS, A; MOH survey, B	surveys	annually and every 5 years	cost: medium source: USAID/G, USAID/N and MOH	HFP
2.3.3 mothers with births in the last 5 years who have ever used oral rehydration solution (ORS)	percent of mothers with births in the last 5 years who have ever used oral rehydration solution (ORS)	DHS, A; MOH survey, B	surveys	annually and every 5 years	cost: medium source: USAID/G, USAID/N, and MOH	HFP
2.3.4. women of reproductive age who use antenatal services	number of women of reproductive age who use antenatal services	HMIS, B; DHS, A	periodic reports and survey	annually and every 5 years	costs: medium source: MOH, USAID/G	HFP
Comments/Notes:						

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Baseline and Performance Targets

STRATEGIC OBJECTIVE, PROGRAM OUTCOMES/SPECIFIC RESULTS	PRECISE DEFINITION OF INDICATOR & UNIT OF MEASUREMENT	BASELINE YEAR & VALUE	PERFORMANCE TARGETS					CRITICAL ASSUMPTIONS
			1995	1996	1997	1998	1999	
<p>Strategic Objective No. 2: reduce fertility and improve maternal-child health</p> <p>Indicators:</p> <p>2.1 total fertility rate</p>	<p>number of children a women would bear during her lifetime given current age-specific fertility rates, nationwide</p>	<p>5.6</p> <p>1991</p>	5.2	5.1	5.0	4.9	4.8	<p>1) National political stability is maintained; 2) MOH staffing is adequate for providing family planning services; 3) GON population policies continue to support expansion of family planning services in the public and private/NGO sectors 4) latent demand for family planning services can be activated through increased availability of quality family planning information and services</p>
<p>2.2 program policies/technical guidelines (consistent with internationally accepted standards) for selected maternal-child health interventions in place</p>	<p>program policies/technical guidelines for selected maternal-child health interventions in place (acute respiratory infections (ARI), control of diarrheal diseases (CDD), and Vitamin A)</p>	<p>1995</p>						
<p>Program Outcome No. 2.1: increased use of family planning services</p> <p>Indicators:</p> <p>2.1.1. total contraceptive prevalence rate</p>	<p>percent of married women of reproductive age (15-49) currently using a contraceptive method</p>	<p>24%</p> <p>1991</p>	28.5%	30%	31.5%	33%	34.5%	<p>1) MOH staffing is adequate for providing family planning services; 2) GON population policies continue to support expansion of family planning services in the public and private/NGO sectors 3) latent demand for family planning services can be activated through increased availability of quality family planning information and services</p>

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STRATEGIC OBJECTIVE, PROGRAM OUTCOMES/SPECIFIC RESULTS	PRECISE DEFINITION OF INDICATOR & UNIT OF MEASUREMENT	BASELINE YEAR & VALUE	PERFORMANCE TARGETS					CRITICAL ASSUMPTIONS
			1995	1996	1997	1998	1999	
2.1.2. unmet need for family planning satisfied	percent of unmet need for family planning satisfied	28% 1991	24%	23%	22%	21%	20%	unmet demand for family planning services can be activated through increased availability of quality family planning information and services
2.1.3. couple years of protection (CYP) provided through: private sector outlets, NGO services outlets and priority district hospitals.	number used to estimate protection provided by family planning services during a one year period, based upon volume of contraceptives sold or distributed to clients during that period, disaggregated by site type	private outlets (CRS) 1995	120,000	130,000	140,000	150,000	160,000	1) staffing is adequate for providing family planning services; 2) regular family planning commodity distribution is functioning. 3) expansion plans happens according to the proposed schedules.
		NGO outlets 1995	TBD	TBD	TBD	TBD	TBD	
		priority hospitals 1995	TBD	TBD	TBD	TBD	TBD	
2.1.4. warehouses stocking a three-month supply of contraceptives	percent of MOH district-level warehouses stocking a minimum 3-months supply of all contraceptives products	10% 1995	10%	30%	50%	60%	70%	support for improving the overall integrated logistics system continues
Program Outcome No. 2.2: increased quality of family planning services	cumulative number of health workers certified as family planning services providers (clinical methods)	surgical 0 1994	250	500	750	1,000	1,250	certification process is developed and implemented as part of regular monitoring and supervision visits; and training activities.
Indicators:		comprehensive Family Planning Course 0 1994	400	800	1,200	1,600	2,000	
2.2.1. health workers certified as family planning services providers (clinical methods)		(certification process has yet to begin)						

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STRATEGIC OBJECTIVE, PROGRAM OUTCOMES/SPECIFIC RESULTS	PRECISE DEFINITION OF INDICATOR & UNIT OF MEASUREMENT	BASELINE YEAR & VALUE	PERFORMANCE TARGETS					CRITICAL ASSUMPTIONS
			1995	1996	1997	1998	1999	
2.2.2. service delivery points certified for provision of contraceptive services	cumulative number of service delivery points certified to provide the full range of contraceptive services (21 priority districts)	0 1994 (Certification process has yet to begin)	5	9	15	17	21	1) certification process is developed and implemented as part of regular monitoring and supervision visits. 2) certification teams identified and sent routinely to the field.
2.2.3. married women of reproductive age (MWRA) knowing spontaneously temporary family planning methods	percentage of MWRA knowing spontaneously temporary family planning methods	orals 28 % (1991) injectables 22 % (1991) condoms 12 % (1991) norplant 9 % (1991)	36%	38%	40%	42%	44%	1) information, education and communication program remains strong. 2) more widespread counseling and inter-personal communication offered.
2.2.4. trained family planning service providers counseling routinely and according to MOH guidelines	number of trained family planning providers counseling routinely according to MOH guidelines	10 1995	10	200	400	600	800	family Planning counseling training program is developed and implemented according to schedule.
Program Outcome No. 2.3: increased use of selected maternal-child health services Indicators: 2.3.1. children 6-60 months receiving one Vitamin A capsule every six months	percentage of children in target area (32 districts) receiving one vitamin A capsule every six months	0% (0 Districts) 1993	40% (24 dist)	45% (32 dist)	50% (32 dist)	55% (32 dist)	60% (32 dist)	MOH continues to support vit A supplementation as a core activity of primary health care.

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STRATEGIC OBJECTIVE, PROGRAM OUTCOMES/SPECIFIC RESULTS	PRECISE DEFINITION OF INDICATOR & UNIT OF MEASUREMENT	BASELINE YEAR & VALUE	PERFORMANCE TARGETS					CRITICAL ASSUMPTIONS
			1995	1996	1997	1998	1999	
2.3.2. caretakers of children under 5 with pneumonia symptoms seeking appropriate treatment	percent of caretakers of children under 5 with pneumonia symptoms seeking appropriate treatment	10 % (4 Districts) 1993 10%	20% (4 dist)	30% (4 dist)	40% (4 dist)	45% (4 dist)	50% (4 dist)	1) field staff receive proper instruction in how to teach caretakers to recognize signs and symptoms of ARI and the necessity of referring for treatment. 2) improved logistics system will increase availability of antibiotics for treatment.
2.3.3. mothers with births in the last 5 years who have ever used oral rehydration solution (ORS)	percent of mothers with births in the last 5 years who have ever used oral rehydration solution (ORS)	45% 1991	56%	59%	62%	65%	68%	1) IEC related to ORS is provided through mass media and field support efforts. 2) field staff receive proper instruction in how to motivate clients to properly use ORS.
2.3.4. women of reproductive age who use antenatal services	number of women of reproductive age who use antenatal services	16% 1991	24%	26%	28%	30%	32%	1) IEC related to maternal health is provided through mass media and field support efforts. 2) safe motherhood program is initiated. 3) appropriate training for traditional birth attendants continues.

PERFORMANCE MONITORING PLAN FOR S.O.3

Strategic Objective 3: Empowerment of Women

PERFORMANCE INDICATOR	PRECISE DEFINITION OF INDICATOR/ UNIT OF MEASUREMENT	DATA SOURCE/ SET DATA QUALITY	EVAL. METHOD/ APPROACH	TIMING/ FREQUENCY OF DATA COLLECTION	FUTURE COSTS OF COLLECTING INFORMATION/ SOURCE OF FUNDS	RESPONSIBLE PERSON/ OFFICE
greater representation of women in leadership positions (user groups, VDCs , and the private sector)	greater representation of women in leadership positions (user groups, VDCs , and the private sector)	B	project survey data	yearly	project USAID/N	PPD
Comments/Notes:						

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PERFORMANCE MONITORING PLAN FOR PROGRAM OUTCOME 3.1

Strategic Objective 3: Empowerment of Women

Program Outcome 3.1: Increased Women's Literacy

PROGRAM INDICATOR	PRECISE DEFINITION OF INDICATOR/ UNIT OF MEASUREMENT	DATA SOURCE/ SET DATA QUALITY	EVAL. METHOD/ APPROACH	TIMING/ FREQUENCY OF DATA COLLECTION	FUTURE COSTS OF COLLECTING INFORMATION/ SOURCE OF FUNDS	RESPONSIBLE PERSON/ OFFICE
3.1.1. women passing literacy tests	number of women passing basic literacy tests	GON census C	census		costs: low source: GON	PPD
3.1.2. women completing basic business literacy program	number of women completing business basic literacy program	IRIS (contractor) MIS A	project reports	quarterly	costs: low source: USAID/N	ECON
3.1.3. women participating in legal literacy fora	number of women participating in legal literacy fora	project MIS A	project reports		costs: low source: USAID/N	PPD
Comments/Notes						

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PERFORMANCE MONITORING PLAN FOR PROGRAM OUTCOME 3.2

Strategic Objective 3: Empowerment of Women

Program Outcome 3.2: Improved Legal Environment for Women

PROGRAM INDICATOR	PRECISE DEFINITION OF INDICATOR/ UNIT OF MEASUREMENT	DATA SOURCE/ SET DATA QUALITY	EVAL. METHOD/ APPROACH	TIMING/ FREQUENCY OF DATA COLLECTION	FUTURE COSTS OF COLLECTING INFORMATION/ SOURCE OF FUNDS	RESPONSIBLE PERSON/ OFFICE
3.2.1. law which prohibits women inheriting property	recision of law which prohibits women inheriting property	project MIS A	project reports		cost: low source: USAID	PPD
3.2.2. women seeking legal redress from legal aid offices	number of women seeking legal redress from legal aid offices	project MIS A	project reports		cost: low source: USAID	PPD
3.2.3. women-advocacy NGOs	number of women-advocacy NGOs	project MIS A	project reports		cost: low source: USAID	PPD
Comments/Notes						

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PERFORMANCE MONITORING PLAN FOR PROGRAM OUTCOME 3.3

Strategic Objective 3: Empowerment of Women

Program Outcome 3.3: Strengthened Women's Economic Participation

PROGRAM INDICATOR	PRECISE DEFINITION OF INDICATOR/ UNIT OF MEASUREMENT	DATA SOURCE/ SET DATA QUALITY	EVAL. METHOD/ APPROACH	TIMING/ FREQUENCY OF DATA COLLECTION	FUTURE COSTS OF COLLECTING INFORMATION/ SOURCE OF FUNDS	RESPONSIBLE PERSON/ OFFICE
3.3.1. loans to women from Gramscn bank groups	number/value of loans to women from Gramscn bank groups	IRIS (contractor) MIS; A	project reports	quarterly	costs: source: USAID/N	ECON
3.3.2. people employed by women-owned businesses	number of people employed by women-owned businesses	IRIS (contractor) MIS; B	sample survey and project reports	every 6 months	costs: source: USAID/N	ECON
Comments/Notes						

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Baseline and Performance Targets

STRATEGIC OBJECTIVE, PROGRAM OUTCOMES/SPECIFIC RESULTS	PRECISE DEFINITION OF INDICATOR & UNIT OF MEASUREMENT	BASELINE YEAR & VALUE	PERFORMANCE TARGETS					CRITICAL ASSUMPTIONS
			1996	1997	1998	1999	2000	
Strategic Objective No. 3: empowerment of women Indicators: 1. representation of women in leadership positions	greater representation of women in leadership positions (local groups, VDCs, and the private sector)	1995 Sample Survey						national political stability is maintained following 1994 elections
Program Outcome No. 3.1: increased women's literacy Indicators: 3.1.1. women passing literacy tests	number of women passing literacy tests	1995 275,000	550,000 (cum)	850,000 (cum)	1.15 m (cum)	1.45 m (cum)	1.75 m (cum)	that the GON will continue its benevolent attitude toward NGO's and not hamper their work in the basic literacy program
3.1.2. women completing basic business literacy program	number of women completing basic business literacy program	1995 100	150 (250, cum)	200 (450 cum)	200 (650 cum)	250 (900 cum)	300 (1200 cum)	expect adoption of this package by many NGOs and private training institutions by 1999, increasing total numbers considerably
3.1.3. women participating in legal literacy form	number of women participating in legal literacy form	1994: 0	1000	2550				

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STRATEGIC OBJECTIVE, PROGRAM OUTCOMES/SPECIFIC RESULTS	PRECISE DEFINITION OF INDICATOR & UNIT OF MEASUREMENT	BASELINE YEAR & VALUE	PERFORMANCE TARGETS					CRITICAL ASSUMPTIONS
			1996	1997	1998	1999	2000	
Program Outcome No. 3.2: improved legal environment for women Indicators: 3.2.1. law which prohibits women inheriting property	rescision of law which prohibits women from inheriting property			rescison occurs				
3.2.2. women seeking legal redress from legal aid offices	number of women seeking legal redress from USAID-supported legal aid offices	1994 0	20	40				
3.2.3. women-advocacy NGOs	number of women-advocacy NGOs	1994 0	10					
Program Outcome No. 3.3: strengthened women's economic participation Indicators: 3.3.1. loans to women from Grameen bank groups	number and value of loans to women from Grameen bank groups	1995 # = 150, total value = Rs3,000,000	1800 new loans, 3,300 cum; Rs6,600,000 total	2100 new loans, 5,400 cum; Rs 10,800,000 total	2500 new loans, 7,900 cum; Rs 15,800,000 total	3000 new loans, 10,900 cum; Rs 21,800,000 total	3700 new loans, 14,600 cum; Rs 29,200,000 total	
3.3.2. people employed by women-owned businesses	number of people employed by women-owned businesses	1995 1700	2100 new employees; 3800 total	2500 new employees; 6300 total	3100 new employees; 9400 total	3700 new employees; 13,100 total	5000 new employees; 18,100 total	

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PERFORMANCE MONITORING PLAN FOR T.O.1

Target of Opportunity 1: Improved Macro-Economic Policy Environment

PERFORMANCE INDICATOR	PRECISE DEFINITION OF INDICATOR/ UNIT OF MEASUREMENT	DATA SOURCE/ SET DATA QUALITY	EVAL. METHOD/ APPROACH	TIMING/ FREQUENCY OF DATA COLLECTION	FUTURE COSTS OF COLLECTING INFORMATION/ SOURCE OF FUNDS	RESPONSIBLE PERSON/ OFFICE
<p>Target of Opportunity 1: improved macroeconomic policy environment</p> <p>Indicators:</p> <p>1. tax reform - VAT (passed and implemented)</p>	revenue collection in rupees	<p>Ministry of Finance yearly data,</p> <p>Nepal Rastra Bank monthly data:</p> <p>A</p>	public published data	monthly	none	PPD/Econ
<p>2. competitive economy - removal of government monopolies - production - sales - import/export</p>	number of enterprises where government monopoly rights are removed	<p>Ministry of Finance, Industry, Commerce, Supplies and Agriculture:</p> <p>A</p>	information in newspapers, verified through discussions	quarterly	none	PPD/Econ
<p>3. registration and licensing - length of time to register - length of time to secure export license</p>	time from submission of registration or export form to decision	<p>Department of Industry, Department of Commerce</p>	sample	semi-annually	minimal (half day sample for each series)	PPD/Econ

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PERFORMANCE MONITORING PLAN FOR T.O.2

Target of Opportunity 2: Increased STD/HIV Prevention and Control Practices by High Risk Groups in Targeted Areas

PERFORMANCE INDICATOR	PRECISE DEFINITION OF INDICATOR/ UNIT OF MEASUREMENT	DATA SOURCE/ SET DATA QUALITY	EVAL. METHOD/ APPROACH	TIMING/ FREQUENCY OF DATA COLLECTION	FUTURE COSTS OF COLLECTING INFORMATION/ SOURCE OF FUNDS	RESPONSIBLE PERSON/ OFFICE
1. condom use by persons with high risk behaviors: - commercial sex workers - clients of commercial sex (CSW) workers	percentage of CSWs and clients in target area reporting 100% condom use	surveys B	surveys	every 3 years	medium USAID/N	HFP
2. private practitioners certified to diagnose and treat STDs	number of private practitioners in target area certified to diagnose and treat STDs	progress reports	periodic reports	every 6 months	low USAID/N	HFP
Comments/Notes						

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Baseline and Performance Targets

STRATEGIC OBJECTIVE, PROGRAM OUTCOMES/SPECIFIC RESULTS	PRECISE DEFINITION OF INDICATOR & UNIT OF MEASUREMENT	BASELINE YEAR & VALUE	PERFORMANCE TARGETS					CRITICAL ASSUMPTIONS
			1994	1995	1996	1997	1998	
<p>Target of Opportunity 2: AIDS/STD prevention and control program</p> <p>Indicators:</p> <p>1. condom use by persons with high risk behaviors:</p> <ul style="list-style-type: none"> - commercial sex workers - clients of commercial sex workers 	percentage of CSWs and clients in target area reporting 100% condom use	<p>13% CSWs 1994</p> <p>22% clients 1994</p>	20%	30%	40%	50%	60%	field support activities being offered are implemented according to the planned schedule.
2. private practitioners in the target area trained to diagnose and treat STDs using the syndromic case management approach	number of private practitioners in the target area trained to diagnose and treat STDs using the syndromic case management approach	0 1994	20	40	60	80	90	<p>1) field support activities being offered are implemented according to the planned strategy.</p> <p>2) private practitioners trained remain in their present positions (within the project areas)</p>

PERFORMANCE MONITORING PLAN FOR TARGET OF OPPORTUNITY 3

Target of Opportunity 3: Increased Democratic Decision-Making at the Local Level

PERFORMANCE INDICATOR	PRECISE DEFINITION OF INDICATOR/ UNIT OF MEASUREMENT	DATA SOURCE/ SET DATA QUALITY	EVAL. METHOD/ APPROACH	TIMING/ FREQUENCY OF DATA COLLECTION	FUTURE COSTS OF COLLECTING INFORMATION/ SOURCE OF FUNDS	RESPONSIBLE PERSON/ OFFICE
1. advocacy groups petitioning local groups	number of advocacy groups petitioning	A	project records; survey	annual	low: DISP	PPD
2. proposals included on agendas of selected elected bodies	number of proposals	A	project records; survey	annual	low: DISP	PPD
3. associations of groups formed	number of associations formed	A	project records; survey	annual	low: DISP	PPD
Comments/Notes:						

PERFORMANCE MONITORING PLAN FOR TARGET OF OPPORTUNITY OUTCOME 3.1

Target of Opportunity 3: Increased Democratic Decision-Making at the Local Level

Target of Opportunity Outcome 3.1: Increased Democratic Practices at the Local Level

PROGRAM INDICATOR	PRECISE DEFINITION OF INDICATOR/ UNIT OF MEASUREMENT	DATA SOURCE/ SET DATA QUALITY	EVAL. METHOD/ APPROACH	TIMING/ FREQUENCY OF DATA COLLECTION	FUTURE COSTS OF COLLECTING INFORMATION/ SOURCE OF FUNDS	RESPONSIBLE PERSON/ OFFICE
3.1.1. user groups functioning democratically	number/percent increase in user groups functioning democratically - constitution/by laws - election of officers - deliberation of issues in open meetings - decision by majority vote - publication of decisions	A	DISP project records ARD project survey	annual annual	low medium	PPD ARD
3.1.2. local elected bodies functioning democratically	number of local elected bodies functioning democratically - constitution/by laws - election of officers - deliberation of issues in open meetings - decision by majority vote - publication of decisions	A	DISP project records	annual	low	PPD
3.1.3. local government budgets and block grants approved in open meetings	local government budgets and block grants approved in open meetings	A	project records	annual	low	PPD
3.1.4. coalitions/associations of groups advocating to national representatives	number of coalitions/associations of groups advocating to national representatives	A	project records	annual	low	PPD
Comments/Notes:						

Baseline and Performance Targets

TARGET OF OPPORTUNITY, PROGRAM OUTCOMES/SPECIFIC RESULTS	PRECISE DEFINITION OF INDICATOR & UNIT OF MEASUREMENT	BASELINE YEAR & VALUE	PERFORMANCE TARGETS					CRITICAL ASSUMPTIONS
			1996	1997	1998	1999	2000	
Target of Opportunity No. 3: increased democratic decision-making at the local level Indicators: 1. advocacy groups petitioning to local governments 2. proposals included on agendas of selected elected bodies 3. associations of groups formed	number of advocacy groups petitioning number of proposals number of associations	1995 5 1994 15 1994 0	20 15 3	50 180 15	150 260 25	200 350 40		
Target of Opportunity Outcome 3.1: increased democratic practices at the local level Indicators: 3.1.1. user groups functioning democratically	number/percent increase in user groups functioning democratically - constitution/by laws - election of officers - deliberation of issues in open meetings - decision by majority vote - publication of decisions	ARD: 1995 400 DISP: 1994 25	600 25	800 206	1,000 285	1,200 300	1,400	
3.1.2. local elected bodies functioning democratically	number of local elected bodies functioning democratically - constitution/by laws - election of officers - deliberation of issues in open meetings - decision by majority vote - publication of decisions	1994 0	10	20	35	50		

TARGET OF OPPORTUNITY, PROGRAM OUTCOMES/SPECIFIC RESULTS	PRECISE DEFINITION OF INDICATOR & UNIT OF MEASUREMENT	BASELINE YEAR & VALUE	PERFORMANCE TARGETS					CRITICAL ASSUMPTIONS
			1996	1997	1998	1999	2000	
3.1.3. local government budget and block grants approved in open meetings	no. of budgets and block grants approved in open meetings	1994 0	5	10	30	100		
3.1.4. local groups advocating to national level representatives	number of coalitions/ associations of local groups advocating	1994 0	4	12	20	35		

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PERFORMANCE MONITORING PLAN FOR Phase-out Parks and Protected Areas

PERFORMANCE INDICATOR	PRECISE DEFINITION OF INDICATOR/ UNIT OF MEASUREMENT	DATA SOURCE/ SET DATA QUALITY	EVAL. METHOD/ APPROACH	TIMING/ FREQUENCY OF DATA COLLECTION	FUTURE COSTS OF COLLECTING INFORMATION/ SOURCE OF FUNDS	RESPONSIBLE PERSON/ OFFICE
1. habitat areas conserved	area of key wildlife habitat and vegetation types conserved in selected protected areas (percentage of park)	GON/project B	surveys	every 2 years	medium USAID/N and USAID/G	ARD
2. critical species protected - number of types - population per type	critical endangered and threatened wildlife and plant species protected (species/population of species)	GON/project B	surveys	every 2 years	medium USAID/N and USAID/G	ARD
3. number of conservation committees with plans in place	conservation committees in and around protected areas with conservation development plans prepared and ready to be implemented (number)	project A		surveys annually	low source: USAID/Nepal	ARD
4. value of benefits generated from community-based enterprises	monetary value of benefits from enterprises (rupees)	project A	Household surveys	annually	medium USAID/Nepal	ARD
5. percent of total conservation area managed by conservation committee	area of park being managed by conservation committees (% of park)	project A	Surveys	annually	low USAID/Nepal	ARD
Comments/Notes: * Through USAEP, Nepal is expending considerable resources on Parks and Protected areas. Biodiversity is a major concern for USAID/N, however, we are approaching biodiversity through forestry in our Economic Growth strategy and do not propose to continue work in parks and protected areas once these prototype projects are completed. USAID/Nepal, however wishes to monitor and manage these activities for results.						

PERFORMANCE MONITORING PLAN FOR Phase-out Parks and Protected Areas

PROGRAM INDICATOR	PRECISE DEFINITION OF INDICATOR/ UNIT OF MEASUREMENT	DATA SOURCE/ SET DATA QUALITY	EVAL. METHOD/ APPROACH	TIMING/ FREQUENCY OF DATA COLLECTION	FUTURE COSTS OF COLLECTING INFORMATION/ SOURCE OF FUNDS	RESPONSIBLE PERSON/ OFFICE
6. amount buffer zone of revenues generated returned to conservation committees	total amount of revenue generated by the park and returned to conservation committee for development activities (rupees per year)	project reports A	quarterly reports	annually	low USAID/N	ARD
7. surveys completed: - wildlife - vegetation - tourists	surveys completed on wildlife, vegetation and tourism (no. of surveys)	GON project	survey results completed	annually	high USAID/N	ARD
Comments/Notes						

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Baseline and Performance Targets for Phase-out Parks and Protected Areas

TARGET OF OPPORTUNITY, PROGRAM OUTCOMES/SPECIFIC RESULTS	PRECISE DEFINITION OF INDICATOR & UNIT OF MEASUREMENT	BASELINE YEAR & VALUE	PERFORMANCE TARGETS					CRITICAL ASSUMPTIONS
			1995	1996	1997	1998	1999	
1. habitat areas conserved	area of key wildlife habitat and vegetation types conserved in selected protected areas (percentage of park)	1995 0	-	10%	20%	40%	60%	- park personnel in place and properly trained - conservation committee plans being implemented
2. critical species protected - number of types - population per type	critical endangered and threatened wildlife and plant species protected (species/population of species)	TBD	-	TBD	TBD	TBD	TBD	- park personnel in place and properly trained - conservation committee plans being implemented
3. increased community involvement in protected areas - number of conservation committees with plans in place	conservation committees in and around protected areas with conservation development plans prepared and ready to be implemented (number)	1994 0	5	10	15	15	15	- cc plans developed
4. value of benefits generated from community-based enterprises	monetary value of benefits from enterprises (rupees)	1994 0	TBD	TBD	TBD	TBD	TBD	- benefit will accrue
5. percent of total conservation area managed by conservation committee	area of park being managed by conservation committee (% of park)	1995 0	-	5%	10%	15%	30%	- CC's effective

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TARGET OF OPPORTUNITY, PROGRAM OUTCOMES/SPECIFIC RESULTS	PRECISE DEFINITION OF INDICATOR & UNIT OF MEASUREMENT	BASELINE YEAR & VALUE	PERFORMANCE TARGETS					CRITICAL ASSUMPTIONS
			1995	1996	1997	1998	1999	
6. improved public sector management of protected areas - amount buffer zone of revenues generated returned to Conservation Committees	total amount of revenue generated by the park and returned to conservation committee for development activities (rupees per year)	1994 0	TBD	TBD	TBD	TBD	TBD	- benefit streams from tourism increased (or at least maintained at present levels)
7. surveys completed: - wildlife - vegetation - tourists	surveys completed on wildlife, vegetation and tourism (no. of surveys)	1995 0	-	6	6	12	12	- park personnel in place and trained

**USAID/NEPAL NEW ACTIVITY DESCRIPTION:
PVO CO-FINANCING III
5/7/1995**

1. BASIC ACTIVITY DATA:

Project title: PVO Co-Financing III¹

Number: 367-0169

Funding source: population funds and discretionary development assistance

Projected level of resources required: \$12 million

Projected length of project: 5 years

Projected first year of obligation: FY1996

2. STRATEGIC OBJECTIVE, PROGRAM OUTCOMES, PURPOSE, RESULTS, RELATIONSHIPS TO OTHER DONOR ACTIVITY: PVO Co-Financing III will support all USAID/Nepal's Strategic Objectives: Sustainable Increase in Sales of High-Value Agricultural Products; Reduce Fertility and Improve Maternal-Child Health and Empowerment of Women. In addition, the activity will support two Targets of Opportunity: HIV/AIDS and Increased Democratic Decision Making at the Local Level. All grants funded under this activity will have to show direct support for one or more program outcomes within existing Strategic Objectives or Targets of Opportunity. Each activity will show quantifiable results against targets pre-set for our Strategic Objectives. PVO Co-Fi III will complement the Mission's bilateral efforts with support from the non-governmental sector.

USAID/Nepal is one of the largest supporters for private voluntary organizations in Nepal. Three other donors are supporting the PVO/NGO community significantly---the Canadians, the Danes and the Swiss. Their programs are scattered and they respond to a number of small, local PVO proposals in many areas. USAID/Nepal has focused its PVO support and since 1992, has limited funding to only those projects which coincided with its strategic framework. To the extent other donors are interested in the same areas, USAID/Nepal coordinates with them. For example, Denmark is a major contributor to democracy and women's empowerment efforts. USAID/Nepal meets with representatives from their aid program on an ad hoc basis and formally at donors' coordination meetings.

¹ This project was listed in our 1996 Budget Planning Document under the title, Enterprise for Community Development. USAID/Nepal's intention at that time was a PVO project which significantly differed from PVO Co-Financing II. However, the Mission has reconsidered the project and decided that the PVO Co-Financing II Project is the model upon which to base the new project. Hence we choose to call the project PVO Co-Financing III.

3. INTERVENTIONS AND MANAGEMENT COSTS: PVO Co-Financing III will act as a direct grant mechanism. The Government of Nepal is consulted and informed but the grants will be made directly to the grantees who will propose against criteria which support USAID/Nepal's Strategic Objectives. (The Mission will examine the efficacy of this approach; see Point 4, below). PVO Co-Financing III assist in support a range of interventions to support economic growth, reduced fertility and women's empowerment. While unsolicited proposals for grants will be reviewed and accepted if unique, innovative and supportive to our objectives, the unsolicited grant mode will be the exception to USAID/Nepal's intended approach. The Mission must be assured that grantees will be working toward USAID strategic targets, therefore, USAID will solicit most PVO Co-Financing partners through invitations for competitive grants against specific criteria. The bulk of the funds will support PVO projects which will provide technical assistance, policy dialogue, training, and/or direct service delivery. It is not anticipated that PVO Co-Fi III funds would be used in any substantial way for commodity purchases. A limited amount of PVO Co-Financing III funds will be used to directly support PVO coordination and strengthening efforts (consultants, technical assistance, workshops, etc.).

It is anticipated that the regularly constituted results teams for the various Strategic Objectives and Targets of Opportunity, without additional staff, will provide technical oversight for the project as needed, although the Mission might call upon USAID/G expertise for assistance or evaluation services. Either a USPSC or a FSNPSC would be hired out of project funds to serve as full-time PVO coordinator. One-quarter of one USDH FTE would supervise the PVO coordinator. In FY 1995, funding for PVO activities was severely affected by the heavily earmarked budget. Consequently the predecessor project, PVO Co-Financing II, did not maintain a balance across sectors. Instead, the Project funded almost exclusively family planning - maternal health care grants in 1994. Should this funding scenario continue, the management/supervisory USDH FTE would come entirely from the results team for reduced fertility/child-maternal health.

4. DIALOGUE AGENDA AND GON POLICIES TO BE ADDRESSED: Relying on PVOs as major partners in development in Nepal is more than practical, it is a matter of USAID/W and USAID/N policy. The Agency has committed itself to implementing at least 40% of its program through PVOs. In FY 94-95, USAID/Nepal channelled 24% of its support through the PVO sector (funded through both PVO Co-Financing II and bilateral projects) across the portfolio and the Mission intends to increase that percentage. PVO efforts have proved to be an invaluable adjunct to our technical assistance packages. Counterpart contributions help our funds go further. The PVO community is committed to working with beneficiary groups and in geographical regions not easily reached by other USAID efforts. Nepal's government at all levels is welcoming of PVO activities and is learning to work with the private voluntary sector in a collaborative mode.

5. DESIGN AND GON POLICY ISSUES TO BE CONSIDERED PRIOR TO PREPARATION OF THE ASSISTANCE PROPOSAL: The Mission intends to explore two issues in preparing the Assistance Proposal. We will explore whether our utilizing umbrella grants is more effective than granting directly to local PVOs. The second area, USAID/N will explore is whether or not to design this as a bilateral agreement with the Government of Nepal rather than direct grants to the PVOs themselves (similar to PVO Co-Financing II).

When PVO Co-Financing II was amended in 1992, the Mission decided to fund local PVOs through umbrella grants to large American or international. The Mission, in so doing, cut down on the management load previous experienced when granting directly to local PVOs/NGOs. The result of this change was not altogether positive. Some of the umbrella organizations have not proved good mentors or partners to the Nepali subgrantees. The evaluation will examine this question before the new assistance proposal is designed. The present arrangement of working with the organizations without going directly through the GON has advantages. The PVO community would prefer it and USAID, believes that fewer implementation problems occur with direct obligation to the PVOs. However, because USAID/Nepal does not receive budget allocations until the third quarter of the fiscal year, obligating a large number of grants in a short time has become a problem. As the Mission does more and more of its program through PVOs, this problem is likely to increase. Consequently, USAID/Nepal will examine the possibility of a bilateral agreement with the Social Welfare Council at the Ministry of Education, Social Welfare and Culture to see if there might be a way to maintain the current flexibility and freedom, yet have a "bilateral home" to which we might obligate money and grant funds at a more measured pace.

6. TIMETABLE/RESOURCES FOR ASSISTANCE PROPOSAL PREPARATION: Upon approval of this New Activity Description, USAID/Nepal's Program and Project Development Office will coordinate the additional inputs necessary for proposal development. This Office will be responsible for seeing that the document follows the latest guidelines for format and content; it will also be responsible for setting up consultations with the PVO community and perspective partners/beneficiaries to insure that the Agency's guidelines on participatory moods of activity development are followed. The PVO Co-Financing II Project will be evaluated in October, 1995. Recommendations resulting from that evaluation will be critical in determining the final content of the Assistance Proposal to be completed by mid-FY1996. The Mission will be able to do the design "in house" and will require no additional resources for this purpose.

7. RECOMMENDATIONS FOR REVIEW AND APPROVAL AUTHORITIES: Once the NAD is approved in USAID/W, the Mission recommends that approval authority for the Assistance Proposal be delegated to the Mission Director, USAID/Nepal. This recommendation is made on the basis that the activity does not raise significant policy issues, will not be utilizing interventions considered "high risk," and will not require significant USAID/W support. There are sufficient personnel at the Mission to ensure a broad and thorough review of the Assistance Proposal.

**PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK**

Life of Project: FY 1996 - 2001
Total U.S. Funding: \$12 million
Date Prepared: May 6, 1995

Project Title & Number: PVO Co-Financing III. 367-0169

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS										
<p>Program or Sector Goal: The broader objective to which this project contributes:</p> <p>To support the Mission's Strategic Objectives:</p> <p>1. Sustainable Increase in Sales of High-Value Agricultural Products</p> <p>2. Reduce Fertility and Improve Maternal-Child Health</p> <p>3. Empowerment of Women participating with NGO partners to meet the needs of Nepal's most disadvantaged groups.</p>	<p>Measures of Goal Achievement:</p> <p>For target groups:</p> <p>1. Increased employment and income growth</p> <p>2. Increased participation and use of services, e.g., education, health, family planning, banking and agriculture extension services; group cooperation and action.</p>	<p>1. GON and PVO statistics on target population. Some probable indicators</p> <p>- % of children staying in school</p> <p>- No. of family planning services used</p> <p>- No. of loans taken</p> <p>- No. of community level self help groups formed</p>	<p>Assumptions for achieving goal targets:</p> <p>1. That target individuals/groups will assume responsibility for and actively participate in their own development; and,</p> <p>2. That the GON will maintain its benign attitude toward local PVO formation and registration</p>										
<p>Outputs:</p> <p>1. 4-6 umbrella grants and 6-8 small grants implemented</p> <p>2. Institutional capacity of INGOs and PVOs strengthened.</p>	<p>Magnitude of Outputs:</p> <p>1. 10-14 grantees utilizing approximately \$5 million in assistance;</p> <p>2. INGOs and PVOs receiving increasing support from private funding; groups they have supported becoming financially independent.</p>	<p>1. PVO quarterly reports;</p> <p>2. On site inspection; and,</p> <p>3. USAID/Nepal sub-project review.</p>	<p>Assumptions for achieving outputs:</p> <p>PVOs submit viable proposals for sub-projects which are approved by USAID/Nepal.</p>										
<p>Inputs:</p> <p>USAID/Nepal</p> <p>Funds for co-financing sub-projects (maximum 75 percent of sub-project cost).</p> <p><u>PVOs (or other non-AID)</u></p> <p>25 percent of sub-project costs, including cost for required technical and management inputs into sub-projects.</p>	<p>Implementation Target (000's):</p> <table><tr><td>Increasing Cash Sales</td><td>3,500</td></tr><tr><td>Reducing Fertility</td><td>6,000</td></tr><tr><td>Empowerment of Women</td><td>1,500</td></tr><tr><td>Democracy TO</td><td><u>1,000</u></td></tr><tr><td>Total</td><td>\$12,000</td></tr></table>	Increasing Cash Sales	3,500	Reducing Fertility	6,000	Empowerment of Women	1,500	Democracy TO	<u>1,000</u>	Total	\$12,000	<p>1. Proposal budgets;</p> <p>2. USAID/Nepal and PVO financial report;</p> <p>3. USAID/Nepal financial reviews/audits.</p>	<p>Assumptions for providing inputs:</p> <p>1. Planned resource levels will be available in the required functional accounts; and,</p> <p>2. PVOs and USAID/Nepal maintain co-financing arrangements.</p>
Increasing Cash Sales	3,500												
Reducing Fertility	6,000												
Empowerment of Women	1,500												
Democracy TO	<u>1,000</u>												
Total	\$12,000												

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